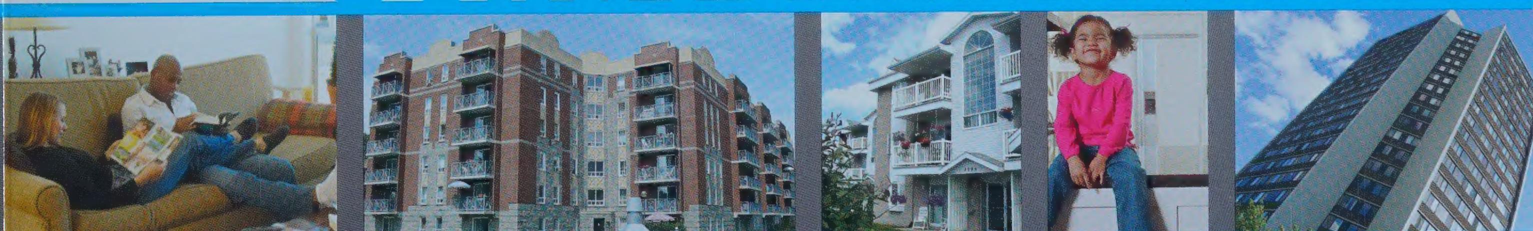
BOARDWALK
RENTAL COMMUNITIES

Building on a Solid Foundation



2004 Annual Report

Boardwalk Real Estate Investment Trust

Corporate Profile

Boardwalk Real Estate Investment Trust ("Boardwalk REIT", "Boardwalk" or the "Trust") is Canada's largest owner/operator of multi-family rental communities. Boardwalk REIT currently owns and operates in excess of 260 properties with over 33,000 rental units totalling approximately 28 million net rentable square feet (as of Feb. 17, 2005). The Trust's portfolio is concentrated in the provinces of Alberta, British Columbia, Saskatchewan, Ontario and Quebec.

Boardwalk REIT's Trust units are listed on the Toronto Stock Exchange, trading under the symbol BEI.UN. The Trust's total market capitalization at December 31, 2004 was 2.4 billion.

On May 3, 2004, the Trust announced the successful completion of the reorganization of Boardwalk Equities Inc.'s business into Boardwalk REIT. The Trust's principal objectives are to provide its unitholders with stable and growing cash flow distributions, and to increase the value of its Trust units through the effective management of its residential multi-family revenue producing properties and the acquisition of additional properties.

Our Mission

Boardwalk's Mission is "to serve and provide our residents with quality rental communities".

Contents

2004 Highlights

Operating Results

- Increased rental revenues by 4.3% to $282.5 million
- Increased NOI by 2.2% to $180.0 million
- Increased FFO from continuing operations by 8.6% to $75.5 million
- Increased distributable income by 8.1% to $78.5 million
- Same-property rental revenues rose by 1.0% and same-property NOI increased by 0.3%

Growth

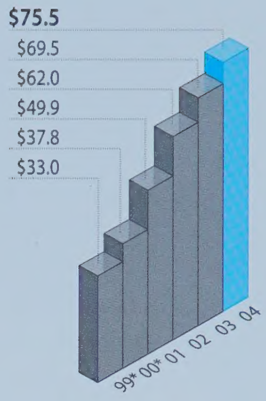
- Completed over $58 million of property acquisitions
- Acquisitions totalled 917 rental units, increasing the portfolio by 2.9%
- Continued to build scale in Montreal and Quebec City markets; Quebec is Boardwalk's second largest provincial market in terms of rental units owned

Financing

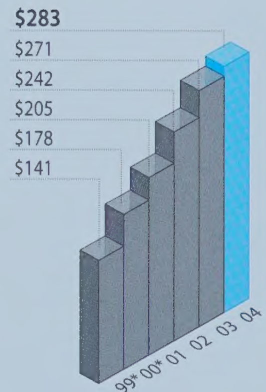
- Financed $138 million of mortgage debt, and reduced blended interest rate from 5.68% to 5.49%

Performance

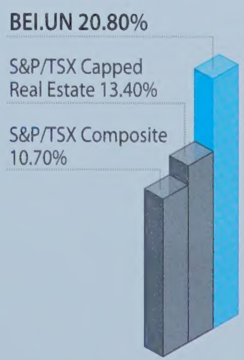
- Since converting to a REIT in May of 2004, Boardwalk Trust units provided a 20.8% total return to investors during this period ended December 31, 2004



Funds From Operations
(excluding gains) (Cdn$ Millions)
*May 31 year end



Rental Revenue
(Cdn$ Millions)
*May 31 year end



Total Return Index
(for the time frame from the conversion date, May 3, 2004 to Dec. 31, 2004)

Vancouver, BC	Edmonton	Red Deer	Regina	London	Quebec City
472 rental units 1.4% of portfolio	10,555 rental units 31.7% of portfolio	851 rental units 2.6% of portfolio	2,672 rental units 8.0% of portfolio	2,256 rental units 6.8% of portfolio	1,242 rental units 3.7% of portfolio
Victoria, BC	Calgary	Grand Prairie	Saskatoon	Kitchener	Montreal
161 rental units 0.5% of portfolio	5,094 rental units 15.3% of portfolio	401 rental units 1.2% of portfolio	1,988 rental units 6.0% of portfolio	329 rental units 1.0% of portfolio	4,625 rental units 13.9% of portfolio
Banff	Airdrie	Fort McMurray	Windsor, ON	Gatineau/Hull	
76 rental units 0.2% of portfolio	163 rental units 0.5% of portfolio	352 rental units 1.1% of portfolio	1,680 rental units 5.1% of portfolio	321 rental units 1.0% of portfolio	

portfolio as at Feb. 17, 2005

Building on a Solid Foundation

We are pleased to report yet another record-breaking year for Boardwalk. Throughout 2004, we continued to achieve record financial results due to our geographically diverse apartment assets, and despite weakened yet slowly improving multi-family market fundamentals in some of our major markets, particularly in Edmonton and Calgary.

Over the past year, we've witnessed continued low interest rates which helped spur record amounts of new residential construction. As a result, our residents continued to purchase new homes or condominiums. Today, we are starting to see a decrease in our residents moving out to buy new homes. This is consistent with the slowdown of overall housing activity across the country due to significant increases in new and existing home prices along with proportionate, measurable increases in interest rates. Current demand for our rental product remains healthy in a number of our dynamic markets including Alberta, which is expected to lead the country in economic growth in 2005.

"Building on a Solid Foundation" is our main theme for this year's Annual Report. There isn't a more fitting theme to demonstrate how our past 20 years of history will benefit unitholders going forward. Boardwalk's 20-year foundation is predicated on many "pillars" which make up our sound business strategy. These pillars include our Associates and Customers, efficiently-run rental operations, diversification of our property portfolio through accretive acquisitions, and our strong financial position and balance sheet.

A significant achievement, in 2004, was the successful conversion of our company into a real estate investment trust (REIT) in May. Since then, our record financial results, solid operating performance, improved access to capital, increasing distributions per Trust unit, combined with an appreciating unit price, confirm our past decisions have translated into growth and value for all stakeholders. Boardwalk's key objective is to provide unitholders with a stable and growing cash flow distribution while building long-term value.

As of the year end, Boardwalk unitholders have realized a total return of 20.8% on their REIT units since our conversion date, outperforming the S&P/TSX Composite and the S&P/TSX Capped Real Estate Indices, which posted total returns of 10.7% and 13.4%, respectively, during the same time period.

Financial and Operating Highlights:

- Rental revenues of $282.5 million, an increase of 4.3% compared to 2003.
- Net operating income (NOI) of $180.0 million, representing a 2.2% increase.
- Funds from operations (FFO) from continuing operations, excluding property sales, of $75.5 million, an increase of 8.6%.
- FFO from continuing operations per unit increased by 4.4% to $1.43 on a diluted basis.
- Distributable income (DI) from continuing operations was $78.5 million, an increase of 7.9% compared to last year.
- DI from continued operations per unit was $1.49, an increase of 4.2% year over year.

Some Portfolio Highlights:

- The overall portfolio occupancy rate for 2004 was 95.2%, down slightly from 95.7% last year.
- For the fourth quarter of 2004, occupancy was 95.8%, up from 94.5% in the third quarter of 2004, and down from 96.3% last year.
- The average monthly rent for 2004 was $741 per rental unit, an increase of $7, or 1.0% from $734 per unit in the same period in 2003.
- For the year, "same-property" rental revenue grew by 1.0% on a year-over-year basis, operating expenses increased by 2.4%, and NOI increased by 0.3%.

Improving Market Fundamentals

The 2004 year proved to be a formidable one for rental landlords. Continued record low interest rates fuelled further construction in the form of new housing and condominiums in many cities across Canada. As a result, some renters turned to home-ownership with the assumption that perceived low monthly carrying costs and home price appreciation would continue indefinitely. Housing analysts believe, as we do, that the turning point will be in 2005 and 2006, as these same fundamentals will moderate towards a more balanced market.

Boardwalk's rental accommodations remain one of the most competitively-priced housing choices in Canada. During the past year, the gap between our rent levels and the costs of home-ownership continued to widen. According to Canada Mortgage and Housing Corporation (CMHC), monthly rent for a two-bedroom apartment averaged $745 in 2004 compared to ownership costs, made up of mortgage principal, interest and taxes (PIT) in 14 Canadian cities, of $1,247 (assumptions of 5% down payment, five-year mortgage at 5.05%, 25-year amortization and taxes of 1% of value), a gap of over $500 per month. Adding additional costs such as repairs and maintenance, insurance, utilities or condo fees if applicable, further increases the price gap.

Interest rates continue their upward trajectory, albeit at a slower pace than anticipated. We believe that much of the pent-up demand for home-ownership has now been satisfied in our major markets. Rising interest rates, as well as the increasing costs of building materials and labour will further erode affordability for home-ownership, resulting in a more stable rental market outlook in 2005 and 2006.

Signs of a national housing construction slowdown is most evident in Edmonton, where 33% of Boardwalk's portfolio is located. CMHC reported a year-over-year decline of 31% in 2004 for multiple-unit or condominium construction, as Edmonton's housing industry responded to fears of an oversupply coupled with elevated levels of vacant completed and resale units. The same data forecasts that, in aggregate, all major centres in Canada will see a decline in multi-unit starts by over 6%.

Strength of Our Core Markets

The province of Alberta, which accounts for over 50% of Boardwalk's rental portfolio, led the nation in economic growth in 2004 and is expected to lead again in 2005. Continued high levels of investment in the oil and gas sector have generated much of this growth. Capital spending from various sources, mainly on projects in northern Alberta, are projected to reach $38 billion. In addition, since the Alberta government is officially debt-free, expected increases in provincial spending or tax reductions will further stimulate the economy. These factors will translate into further job creation and in-migration which will positively impact our operations.

During 2004, Boardwalk continued to expand in existing markets, purchasing a total of 917 rental units, mostly in the cities of Montreal and Quebec City. Together, these two markets account for 36% of the total Canadian rental universe with almost 480,000 apartment units in Montreal and over 76,000 units in Quebec City. With vacancy rates in both cities historically hovering at or below 1%, we are pleased to continue to find accretive new acquisition opportunities in these great markets to complement our existing portfolio. With the 6,188 rental units we have purchased since 2002, the Province of Quebec has quickly grown into Boardwalk's second largest provincial market in terms of units owned.

In early 2005, we were very pleased to announce our first acquisitions in the province of British Columbia, further diversifying and strengthening our rental operations. We completed the purchases of three properties for a total of 633 units in the cities of Victoria and Vancouver. These markets have enjoyed historically low rental vacancies and continue to draw international and provincial migrants to their breathtaking and warm coastal locations. The gap between the cost of owning a home or condominium versus renting in Vancouver and Victoria is the largest in Canada, further underpinning the strength of this market going forward. We have been studying these market areas for several years and look forward to increasing our presence and scale in these cities over time.

Financial Flexibility and Stability

Despite the negative impact on Boardwalk's vacancy rates due to current low interest rates, the Trust has realized significant interest savings as we continued to renew and refinance a portion of our mortgage debt at lower rates. Interest on mortgage debt is one of the largest expense items for most landlords. Assuming the adjustment of our total mortgage debt to current interest rates, Boardwalk would save an additional $13 million, or $0.25 per Trust unit per year.

In addition, in the five years prior to converting to a REIT, Boardwalk invested over $300 million in building improvements, giving the Trust a tremendous competitive advantage with its "like new" product appeal. Going forward, further declines in these types of expenditures will provide additional stability in our cash flow distributions for unitholders.

We remain focused on maintaining a strong and healthy balance sheet. At the end of 2004, Boardwalk's mortgage debt-to-total-market-capitalization was 59.1% compared to 60.3% a year ago. Our interest coverage ratio, measured as EBITDA to interest expense excluding gains, improved to 2.1 times compared to 2.0 in 2003.

At the start of 2005, and to further fund our growth through acquisitions, we successfully completed an offering of a $120 million principal amount of senior unsecured debentures with a coupon rate of 5.31%, maturing in January of 2012. Dominion Bond Rating Services, further demonstrating the stability of our business, rated these debentures "BBB" with a Stable trend.

In Conclusion

Our operations, on-site and head office Associates have proven again that they can successfully adapt to prevailing rental market conditions and deliver another year of record performance. We are most grateful for their ongoing commitment to excellence. As we have stated in the past, we remain cautiously optimistic regarding the outlook of our business as rental market fundamentals continue to improve slowly over time.

With a strong and experienced team, the geographic diversification of our rental assets, our strong operating platform and long-term focus on our relationships with all stakeholders, we look forward to the next successful chapter in Boardwalk's history as Canada's premier multi-family real estate investment trust.

I would like to personally thank our Board of Trustees for all of their guidance and support, and for the support of all our dedicated unitholders.

Sincerely,

Sam Kolias, President and CEO
February 21, 2005

KEVIN P. SCREPNECHUK — *Senior VP, Rental Operations*
ROBERTO A. GEREMIA — *Senior VP, Finance and CFO*
WILLIAM CHIDLEY — *Senior VP, Corporate Development*
SAM KOLIAS — *President and CEO*
VAN KOLIAS — *Senior VP, Quality Control*

Building on long-term Relationships

PAT & MARY	TINA	HUGO	ERIC	CANDACE	ERIC
Long-term customers 10+ years	*Boardwalk Associate 10+ years*	*Boardwalk Associate 10+ years*	*Boardwalk Associate 10+ years*	*new Boardwalk Associate*	*Community Outreach Worker*

Building mutually beneficial, long-term relationships has been a key component in Boardwalk's success. Boardwalk strives to be the housing supplier of choice for all our Customers, whether existing, new or repeat Customers. We apply this same relationship principle to our many stakeholders including our Associates, financial partners and contractors.

With Our Customers

Boardwalk has been renting apartments for over two decades. From our very first resident in 1985, to our more than 70,000 Customers today, Boardwalk has built a solid reputation as the leader in quality rental communities.

There are many reasons why Boardwalk Customers choose to live in our buildings; some love the convenient locations and quality buildings, while others enjoy the carefree lifestyle and friendly on-site staff.

We have been fortunate to attract and retain several long-term Customers, some of whom have lived in our buildings for over 20 years.

Boardwalk remains committed to providing the very best in product and service, as well as continuing to build successful relationships with all our Customers who choose to live with us each day.

With Our Associates

Our diverse and talented workforce of more than 1,200 Associates makes it possible to build and maintain successful relationships with our Customers. Particular care and skill are required when managing the most important of all commodities: one's home. Each of our on-site and head office Associates plays an integral role in ensuring that the needs of our Customers are not only met, but in many cases, exceeded.

The needs of our Associates continue to evolve over time. Boardwalk utilizes proactive communications in the form of regular feedback sessions, anonymous surveys, newsletters and yearly meetings with senior management to keep abreast of the ever-changing needs of our Associates.

The overall success of Boardwalk testifies to the guiding principles that our Associates live by each and every day.

With Our Community

Boardwalk's Community Development Department is a unique example of how we give back to the communities in which we serve. This department was created for two main purposes – to foster collaboration with Government and Social Service agencies to provide affordable housing, and to assist our Customers who are in financial need. Through this department, Boardwalk has developed compassionate rent policies for those who are experiencing financial hardship, and our Associates have initiated countless programs and volunteer activities targeted toward the less fortunate in our many communities across the country.

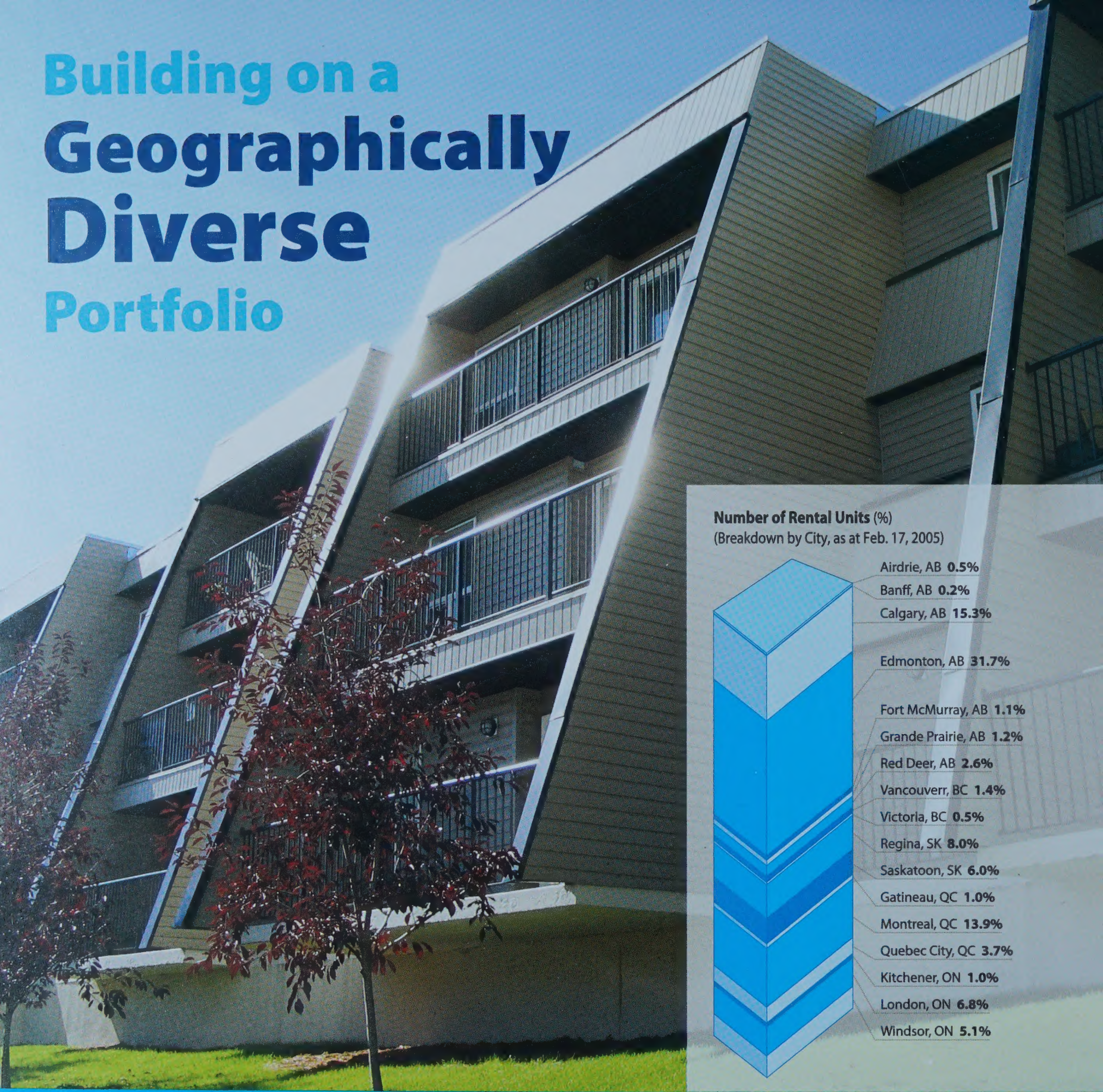
New Life Centres is one example of a Social Service agency we support by donating the use of a rental unit. New Life Centres then operates within the local community to provide outreach initiatives that teach practical life skills to families in need.

With Our Unitholders

Boardwalk's key objectives are to provide unitholders with stable and growing cash distributions and to increase the long-term value of its units through the effective management of its multi-family residential portfolio and the acquisition of additional accretive properties.

By building on our relationships with Customers, Associates and the surrounding community, we can continue to strengthen the relationships we have with our unitholders and financial partners.

Building on a Geographically Diverse Portfolio



Boardwalk's operational foundation is built upon a nationally-diversified multi-family rental portfolio spanning five provinces and 17 markets. Through Boardwalk's talented acquisitions team, the Trust continues to build on its local presence as well as expand into dynamic new markets across Canada.

Geographic Diversity

In any investment, diversification is key. The apartment business is no exception to this rule. Never in our 20-year history has Boardwalk been on more stable ground.

Boardwalk is the most geographically diversified multi-family owner and operator in Canada. Our quality properties span five provinces and 17 markets within the country. This diversification provides a greater level of stability to Boardwalk's overall rental operations, given the normal fluctuations in rental market fundamentals across Canada's various regions.

Continued Expansion

Boardwalk's operations are entrenched in Canada's most dynamic markets. We continue to build and refine our presence in these cities and also look to expand into new market areas that have good long-term fundamentals.

Since 1995, Boardwalk has grown its property portfolio through acquisitions from 2,700 rental units in Alberta, to more than 33,000 apartments in five provinces across Canada. In early 2005, we expanded our operations for the first time into the province of British Columbia with the purchase of 472 rental units in the Vancouver area and 161 units in Victoria.

Highlighted in the photo below, Christie Point Apartments in Victoria is a 161-unit property located on an ocean front peninsula, providing an extraordinary setting for apartment and townhouse living.

Vancouver has been successful in being named Host City of the 2010 Olympic Winter Games. As a result, The Conference Board of Canada is predicting healthy population increases from now until 2009, particularly from international migrants. In addition, in a study of 18 Canadian cities, The Conference Board of Canada's Winter 2005 Metropolitan Outlook predicts that Vancouver will post the third largest annual increase in real GDP growth during 2006 to 2009.

With more than 106,000 rental units, the Vancouver rental market is the third largest in Canada, following Montreal (480,000 units), and Toronto (300,000 units). Over the past 10 years, Vancouver's vacancy rate has averaged a very low 1.5% (Canada Mortgage and Housing Corporation (CMHC) October 2004 rental survey), with four out of the 10 years surveyed at or below the 1.1% level.

In 2004, the City of Victoria, with approximately 23,700 rental units, recorded the lowest vacancy rate in Canada, at 0.6% versus 1.1% a year earlier, according to CMHC. Factors that helped push vacancies lower included strong employment growth and a growing university student population.

These underlying fundamentals will serve to benefit rental landlords in British Columbia as rental housing is typically the first choice among new migrants.

Disciplined Growth

Our talented acquisitions team continues to identify some of Canada's most prominent rental assets which complement and add value to our rental operations.

Before entering any new market area, Boardwalk conducts a thorough investigation of various economic indicators to ensure the long-term viability of the rental market. Boardwalk seeks out suitable rental properties only after our in-depth research indicates that a good long-term market opportunity exists.

Boardwalk does not grow simply for growth's sake; rather, we follow a very disciplined and expert approach, which is supported by our many long-term relationships with other property owners across Canada.

Building on a Sustainable Future

Having built a solid foundation over the past 20 years, Boardwalk is well positioned for a sustainable future. Continuing improvements in Canada's rental market fundamentals are expected to benefit rental landlords for the foreseeable future.

Ready for the Future

Since reorganizing our business into a REIT in early May of 2004, Boardwalk has begun new life in the best condition possible. Boardwalk's seasoned and professional Associates, high-quality assets, the geographical diversification of our rental properties and strong financial position are the foundations of a growing and, more importantly, sustainable business for current and future stakeholders.

Our Associates have never been more prepared to respond to our Customer or our portfolio needs. Along with our highly-trained and professional on-site Associates who interact with our Customers daily, our Calgary-based call centre provides 24 hour/7 day-a-week expert customer support. Boardwalk utilizes the latest tools and technology. Our scale and industry-leading on-line management systems provide a tremendous competitive advantage over other property owners.

With more than $300 million spent on building improvements in the past five years prior to our converting to a REIT, Boardwalk's portfolio is in excellent physical condition. Providing our Customers with high quality, well-kept homes will continue to be a key competitive advantage. The reduction of these types of expenditures going forward will also provide the Trust with further stability for future cash flow distributions to unitholders.

Rental Market Outlook – Core Markets

The strength of our core markets will assist in producing predictable and sustainable results from our rental operations. Our largest markets, Edmonton, Calgary and Montreal, collectively make up over 61% of Boardwalk's total rental portfolio.

The province of Alberta (53% of the total Boardwalk universe) is poised to post strong population growth rates with continued strong in-migration and employment growth relative to other Canadian markets. Energy-related royalties and other revenue generators have contributed to an officially debt-free Alberta government which has resulted in an overall feeling of optimism across the province.

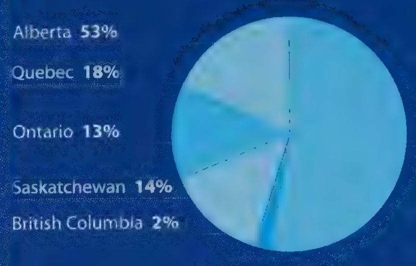
In Montreal, Boardwalk's third largest market at 14.4% of the total portfolio and Canada's largest rental market with more than 480,000 rental units, demand for rental housing has remained steady mainly as a result of youth employment and migration. Montreal is surpassed only by Toronto and Vancouver as a destination of choice for new immigrants in Canada, who make up 18% of the overall population of Montreal.

Historically low interest rates and growing personal incomes have fueled record amounts of new housing construction and resale activity across Canada, resulting in higher rental vacancies. CMHC believes the turning point in rental market fundamentals for many Canadian markets will be seen in 2005, resulting in the overall stabilization in rental vacancies.

Total new housing starts in Canada are expected to decrease by more than 7% in 2005, off from historically high levels. Rising home ownership costs and interest rates, as well as price gains on housing, are expected to result in lower demand by first-time buyers in 2005 and 2006 which should benefit rental landlords going forward.

Boardwalk has continued to post record results, despite a challenging rental environment over the past few years. We are encouraged by the improved forecast market fundamentals looking ahead to 2005 and beyond.

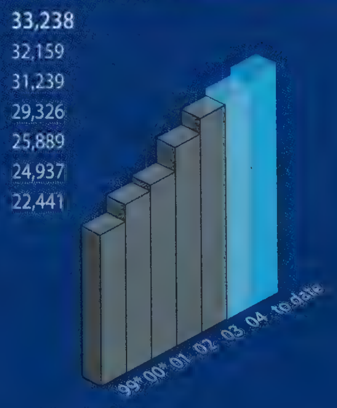
Portfolio Summary



Number of Units (%)
(Breakdown by Province)

Province	Number of Rental Units	% of Rental Units	Net Rentable Square Footage	% of Square Footage	Average Unit Size
Alberta	17,492	53%	14,755,539	53%	844
British Columbia	633	2%	456,936	2%	722
Saskatchewan	4,660	14%	3,855,658	14%	827
Ontario	4,265	13%	3,410,651	12%	800
Quebec	6,188	18%	5,352,626	19%	865
Total	33,238	100%	27,831,410	100%	837

portfolio as at Feb. 17, 2005



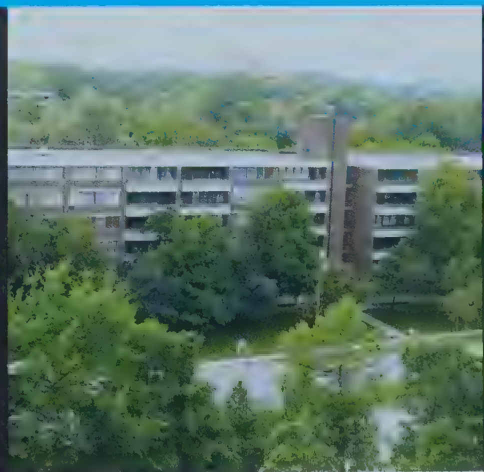
Total Portfolio (Cumulative Number of Units)

*May 31 year end

Property Name	Building Type	Number of Units	Net Rentable Square Footage	Average Unit Size
Calgary, AB				
Beltline Towers	Highrise	115	80,424	699
Boardwalk Heights	Highrise	202	160,894	797
Brentview Towers	Highrise	239	151,440	634
Cedar Court Gardens	Townhouse	65	58,560	901
Centre Point West	Highrise	123	110,611	899
Century Towers	Highrise	90	73,411	816
Chateau Apartments	Highrise	145	110,545	762
Elbow Towers	Highrise	158	108,280	685
Flintridge Place	Highrise	68	55,023	809
Glamis Green	Townhouse	156	173,881	1,115
Glamorgan Manor	Garden	86	63,510	739
Heritage Gardens	Highrise	91	64,250	706
Hillside Estates	Garden	76	58,900	775
Lakeside Estates	Garden	89	77,732	873
Leighton House	Highrise	38	27,352	720
McKinnon Court	Garden	48	36,540	761
McKinnon Manor	Garden	60	43,740	729
Northwest Pointe	Garden	150	102,750	685
Oakhill	Townhouse	240	236,040	984
O'Neil Towers	Highrise	187	131,281	702
Patrician Village	Garden	392	295,600	754
Pineridge Apartments	Garden	76	52,275	688
Prominence Place	Garden	75	55,920	746
Radisson I	Townhouse	124	108,269	873
Radisson II	Townhouse	124	108,015	871
Radisson III	Townhouse	118	124,379	1,054
Ridgeview Gardens	Townhouse	160	151,080	944
Royal Park Plaza	Highrise	86	66,137	769
Russet Court	Townhouse	206	213,264	1,035
Sarcee Trail Place	Highrise/ Midrise	376	301,720	802
Skygate Tower	Highrise	142	113,350	798
Spruce Ridge Estates	Garden	284	196,464	692
Travois Apartments	Garden	89	61,350	689
Varsity Place Apartments	Walk-up	70	47,090	673
Vista Gardens	Garden	100	121,040	1,210
Westwinds Village	Garden	180	137,815	766
Willow Park Gardens	Garden	66	44,563	675
		5,094	4,123,495	810
Edmonton, AB				
Alexander Plaza	Garden	252	203,740	809
Aspen Court	Garden	80	68,680	859
Boardwalk Arms A & B	Garden	78	64,340	825
Boardwalk Centre	Highrise	597	471,871	790
Boardwalk Village I II & III	Townhouse	255	258,150	1,012
Breton Manor	Garden	66	57,760	875

Property Name	Building Type	Number of Units	Net Rentable Square Footage	Average Unit Size
Edmonton, AB (continued)				
Briarwynd Court	Townhouse	172	144,896	842
Brookside Terrace	Garden	131	196,779	1,502
Cambrian Place	Garden	105	105,008	1,000
Camelot	Garden	64	54,625	854
Capital View Towers	Highrise	115	71,281	620
Carmen	Garden	64	54,625	854
Castle Court	Garden	89	93,950	1,056
Castleridge Estates	Townhouse	108	124,524	1,153
Cedarville	Garden	144	122,120	848
Christopher Arms	Garden	45	29,900	664
Corian Apartments	Garden	153	167,400	1,094
Deville Apartments	Highrise	66	47,700	723
Ermineskin Place	Highrise	226	181,788	804
Fairmont Village	Garden	424	362,184	854
Fontana	Highrise	62	40,820	658
Fort Garry House	Highrise	93	70,950	763
Galbraith House	Highrise	163	110,400	677
Garden Oaks	Garden	56	47,250	844
Granville	Townhouse	48	53,376	1,112
Greentree Village	Garden	192	156,000	813
Habitat Village	Townhouse	151	129,256	856
Imperial Tower	Highrise	138	112,050	812
Kew Place	Townhouse	108	105,776	979
Lansdowne Park	Highrise	62	48,473	782
Leewood Village	Garden	142	129,375	911
Lord Byron I II & III	Highrise	158	133,994	848
Lord Byron Townhomes	Townhouse	146	170,969	1,171
Lorelei House	Garden	78	65,870	845
Maple Gardens	Garden	181	163,840	905
Marlborough Manor	Garden	56	49,582	885
Maureen Manor	Highrise	91	64,918	713
Meadowside Estates	Garden	148	104,036	703
Meadowview Manor	Garden	348	284,490	818
Monterey Pointe	Garden	104	83,548	803
Morningside	Garden	220	165,562	753
Northridge Estates	Garden	180	103,270	574
Oak Tower	Highrise	70	51,852	741
Parkside Towers	Highrise	179	162,049	905
Parkview Estates	Townhouse	104	88,432	850
Pembroke Estates	Garden	198	198,360	1,002
Pinetree Village	Garden	142	106,740	752
Pointe West Townhouses	Townhouse	69	72,810	1,055
Primrose Lane Apartment	Garden	153	151,310	989
Prominence Place	Highrise	91	73,310	806
Redwood Court	Garden	116	107,680	928





Property Name	Building Type	Number of Units	Net Rentable Square Footage	Average Unit Size
Edmonton, AB (continued)				
Riverview Manor	Garden	81	62,092	767
Royal Heights	Highrise	74	41,550	562
Sandstone Pointe	Garden	81	83,800	1,035
Sir William Place	Garden	220	126,940	577
Solano House	Highrise	91	79,325	872
Southgate Tower	Highrise	170	153,385	902
Summerlea Place	Garden	39	43,297	1,110
Suncourt Place	Garden	62	55,144	889
Tamarack East and West	Townhouse	132	212,486	1,610
Terrace Gardens	Garden	114	101,980	895
Terrace Towers	Highrise	84	66,000	786
The Palisades	Highrise	94	77,200	821
The Westmount	Highrise	133	124,825	939
Tower Hill Apartments	Highrise	82	46,360	565
Tower on the Hill	Highrise	100	85,008	850
Valley Ridge Tower	Highrise	49	30,546	623
Victorian Arms	Garden	96	91,524	953
Viking Arms	Highrise	240	257,410	1,073
Village Acres	Garden	186	156,464	841
Village Plaza	Townhouse	68	65,280	960
Warwick Apartments	Garden	60	49,092	818
West Edmonton Court	Garden	82	73,209	893
Westborough Court	Garden	60	50,250	838
Westbrook Estates	Garden	172	148,616	864
Westmoreland Apartments	Garden	56	45,865	819
Westpark Ridge	Garden	102	99,280	973
Westridge Estates B	Garden	91	56,950	626
Westridge Estates C	Garden	90	56,950	633
Westridge Manor	Townhouse	64	69,038	1,079
Westwinds of Summerlea	Garden	48	53,872	1,122
Willow Glen Apartments	Garden	88	71,800	816
Wimbledon	Highrise	165	117,216	710
		10,555	9,140,423	866
Fort McMurray, AB				
Birchwood Manor	Garden	24	18,120	755
Chanteclair	Garden	79	68,138	863
Edelweiss Terrace Apts	Garden	32	27,226	851
Heatherton	Garden	23	16,750	728
Hillside Manor	Garden	30	21,248	708
Mallard Arms	Garden	36	30,497	847
McMurray Manor	Garden	44	30,350	690
The Granada	Garden	44	35,775	813
The Valencia	Garden	40	33,850	846
		352	281,954	801

Property Name	Building Type	Number of Units	Net Rentable Square Footage	Average Unit Size
London, ON				
Abbey Estates	Townhouse	53	59,794	1,128
Castlegrove Estates	Highrise	144	126,420	878
Forest City Estates	Highrise	272	221,000	813
Heritage Square	Garden/ Highrise	359	270,828	754
Landmark Tower	Highrise	213	173,400	814
Maple Ridge On The Parc	Highrise	257	247,166	962
Meadow Crest Apts	Garden	162	110,835	684
Noel Meadows	Garden	105	72,600	691
Ridgewood Estates	Townhouse	29	31,020	1,070
Sandford Apts	Highrise	96	77,594	808
The Bristol	Highrise	138	109,059	790
Topping Lane Towers	Highrise	189	177,880	941
Villages of Hyde Park	Townhouse	60	57,850	964
Westmount Ridge	Highrise	179	131,700	736
		2,256	1,867,146	828
Montreal,QC				
Cote-Vertu (St. Laurent, QC)	Midrise	88	67,750	770
Domaine d'Iberville Apts (Longueuil, QC)	Highrise	720	560,880	779
Le Bienville (Longueuil, QC)	Walk-up	168	115,600	688
Les Jardins Bourassa	Midrise	178	85,874	482
Les Jardins Viva (Longueuil, QC)	Walk-up	112	91,000	813
Nuns' Island Portfolio	Garden/ Highrise/ Townhouse	3,100	3,075,140	992
Residence le Quatre Cent (Laval, QC)	Highrise	259	153,500	593
		4,625	4,149,744	897
Quebec City, QC				
Complexe Laudance (Sainte-Foy, QC)	Midrise	183	134,480	735
Domaine du Rocher (Levis, QC)	Walk-up	64	68,184	1,065
Le Laurier	Highrise	105	74,995	714
Les Appartements Du Verdier (Sainte-Foy, QC)	Garden	195	152,645	783
Les Jardins de Merici	Highrise	346	300,000	867
Place Charlesbourg	Midrise	108	82,624	765
Place du Parc	Highrise	111	81,746	737
Place Samuel de Champlain	Highrise	130	104,153	801
		1,242	998,827	804


Property Name	Building Type	Number of Units	Net Rentable Square Footage	Average Unit Size
Red Deer, AB				
Canyon Pointe Apartments	Garden	163	114,039	700
Cloverhill Terrace	Highrise	120	102,225	852
Inglewood Terrace	Garden	68	42,407	624
Riverbend Village Apartments	Garden	150	114,750	765
Saratoga	Highrise	48	53,762	1,120
Taylor Heights Apartments	Garden	140	103,512	739
Watson	Highrise	50	43,988	880
Westridge Estates	Townhouse	112	113,664	1,015
		851	688,347	809
Regina, SK				
Ashok Portfolio	Garden	164	95,000	579
Boardwalk Estates	Garden	687	467,696	681
Boardwalk Manor	Garden	72	60,360	838
Centennial South	Townhouse	170	129,080	759
Centennial West	Garden	60	46,032	767
Eastside Estates	Townhouse	150	167,550	1,117
Evergreen Estates	Garden	150	125,660	838
Grace Manor	Townhouse	72	69,120	960
Greenbriar Apts	Garden	72	57,600	800
Lockwood Arms	Garden	96	69,000	719
Pines of Normanview	Townhouse	133	115,973	872
Qu'appelle Village I & II	Garden	154	133,200	865
Qu'appelle Village III	Garden	180	144,160	801
Southpointe Plaza	Highrise	140	117,560	840
The Meadows	Townhouse	52	57,824	1,112
Wascanna Park Estates	Townhouse	320	307,200	960
		2,672	2,163,015	810
Saskatoon, SK				
Carleton Towers	Highrise	158	155,138	982
Chancellor Gate	Garden	138	126,396	916
Dorchester Towers	Highrise	52	48,608	935
Heritage Pointe Estates	Townhouse	104	99,840	960
Lawson Village	Garden	96	75,441	786
Meadow Parc Estates	Townhouse	200	192,000	960
Palace Gate	Garden	206	142,525	692
Penthouse Apartments	Highrise	82	61,550	751
Regal Tower 1 & 2	Highrise	161	122,384	760
Reid Park Estates	Garden	179	128,700	719
St. Charles Place	Garden	156	123,000	789
St. James Place	Garden	140	105,750	755
Stonebridge Apartments	Garden	162	131,864	814
Stonebridge Townhomes I & II	Townhouse	100	135,486	1,355
Wildwood Ways B	Garden	54	43,961	814
		1,988	1,692,643	851

Property Name	Building Type	Number of Units	Net Rentable Square Footage	Average Unit Size
Vancouver, BC				
Horizon Towers (Burnaby, BC)	Highrise	206	139,160	676
Surrey Village (Surrey, BC)	Highrise	266	162,371	610
		472	301,531	639
Windsor, ON				
Anchorage Apartments	Highrise	135	110,245	817
Anchorage on the Park	Townhouse	31	38,750	1,250
Askin Tower	Highrise	60	39,675	661
Buckingham Towers	Highrise	34	30,805	906
Caron Towers	Highrise	47	36,947	786
Empress Courst Apartments	Garden	40	28,250	706
Frances Tower Apartments	Highrise	53	43,906	828
Glenwood Apartments	Highrise	33	25,619	776
Janisse Tower	Highrise	75	45,000	600
Karita Tower	Highrise	41	28,950	706
Lauzon Towers	Highrise	178	137,784	774
Marine Court	Highrise	68	49,206	724
Randal Court	Garden	47	38,775	825
Regency Colonade	Highrise	133	113,205	851
Riverdale Manor	Townhouse	97	77,850	803
Rivershore Tower Apts	Highrise	96	63,300	659
Sandilands Tower	Highrise	47	38,775	825
Sandwich Tower	Highrise	66	40,650	616
Seaway Tower	Highrise	152	112,037	737
Sun Crest Tower	Highrise	58	43,100	743
Sun Ray Manor	Highrise	41	29,950	731
Tecumseh Eastview Apts. (Tecumseh, ON)	Highrise	98	71,606	731
University Towers	Highrise	50	36,100	722
		1,680	1,280,485	762
Other				
Boardwalk Park Estates 2 (Grande Prairie, AB)	Townhouse	32	30,210	944
Christie Point Apts. (Victoria, BC)	Townhouse/ Walk-up	161	155,405	965
Elk Valley Estates (Banff, AB)	Garden	76	53,340	702
Kings Tower (Kitchener, ON)	Highrise	226	171,100	757
Parc de la Montagne (Gatineau, QC)	Highrise	321	204,055	636
Parkview Portfolio (Grande Prairie, AB)	Garden	369	306,850	832
Tower Lane I & II (Airdrie, AB)	Garden	163	130,920	803
Westheights Place (Kitchener, ON)	Highrise	103	91,920	892
		1,451	1,143,800	788
Total (as at Feb. 17, 2005)		33,238	27,831,410	837



Corporate Governance

The governance of our Trust is based on our guiding principles and the mandate of our Board of Trustees. These principles and values transcend through all Boardwalk Associates through their daily professional conduct. Boardwalk has clear policies in relation to corporate responsibility, including corporate governance and ethics, employee relations, audit and risk management.

Our Mission, Vision and Values as well as our Code of Conduct provide a framework for our Trustees and Associates when dealing with complex and sensitive issues that may arise in the normal course of business. These standards also serve to provide accountability to those who do not adhere to these values and standards.

As a Trust listed on the Toronto Stock Exchange (TSX), Boardwalk either meets or exceeds the guidelines set-out by the TSX regarding effective corporate governance. A detailed description of our corporate governance practices, as well as the disclosure required by the TSX, can be found in our Annual Information Form (AIF) filed on SEDAR in connection with our annual filing requirements.

Further corporate governance information can also be found on our website at www.BoardwalkREIT.com which provides information including members of the Board of Trustees, charters of the Board, committee guidelines and the Code of Conduct.

[illegible]

As set out in Boardwalk's Declaration of Trust, the operation of Boardwalk is subject to the authority and control of a majority number of independent Trustees. Boardwalk currently has 7 Trustees, 6 of whom are independent. In addition, the Trustee Chair is completely independent and not a member of Boardwalk management.

INDEPENDENT COMMITTEES

The Board of Trustees of Boardwalk have established two independent committees: the Audit and Risk Management Committee and the Compensation, Governance and Nominations Committee, and may establish additional committees as the Trustees, in their discretion, determine to be necessary or desirable for the purposes of properly governing the affairs of Boardwalk. Further details on each committee including committee charters are available within the AIF or on our Trust website.

Audit and Risk Management Committee

Some of the key objectives of this committee are to: review Boardwalk's procedures for internal control with the Auditors and Chief Financial Officer of the Trust; review and recommend to the Trustees, approval of the annual and quarterly financial statements and management's discussion and analysis of financial condition and results of operation; assess Boardwalk's financial and accounting personnel; review and approve the public documents of the Trust, including press releases; and, review any significant transactions outside Boardwalk's ordinary activities.

Compensation, Governance and Nominations Committee

The Compensation, Governance and Nominations Committee is generally responsible for Boardwalk's human resources, compensation and governance policies and will have primary responsibility for: assessing the performance of the Chief Executive Officer; reviewing and approving the compensation of senior management and consultants of the Trust; reviewing and making recommendations to the Trustees concerning the level and nature of compensation payable to the Trustees; and reviewing the overall governance policies of Boardwalk.

< IR Magazine Canada Awards 2004 presented to Boardwalk:
The CIRI grand prix for best overall investor relations (mid-cap)

Boardwalk recognizes its corporate responsibilities to others. Our Customers, Associates, financial stakeholders and the local communities in which our properties are located, all have a direct interest in the way we communicate and conduct our business.

Management's Discussion & Analysis

This Management's Discussion and Analysis ("MD&A") focuses on key statistics from the consolidated financial statements and pertains to known risks and uncertainties relating to the real estate industry. This discussion should not be considered all-inclusive as it excludes changes that may occur in general economic, political, and environmental conditions. Additionally, other elements may or may not occur which could affect the organization in the future. To ensure that the reader is obtaining the best overall perspective, this discussion should be read in conjunction with material contained in other parts of the Annual Report, the audited consolidated financial statements for the years ended December 31, 2004 and 2003 and the Annual Information Form dated March 31, 2005 along with all other publicly posted information on Boardwalk Equities Inc. and Boardwalk Real Estate Investment Trust. It is not our intent to reproduce information that is located in these other reported documents but rather may highlight some of the key points and refer you to these documents for more detailed information.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this discussion constitute and the documents incorporated by reference herein contain forward-looking statements. These statements relate, but are not limited to, Boardwalk's expectations, intentions, plans and beliefs. In some cases, you can identify forward-looking statements by the use of words such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue" or the negative of these terms or other comparable terminology, and by discussions of strategies that involve risks and uncertainties. You should be aware that these statements are subject to known and unknown risks, uncertainties and other factors, including: competition within each of the Trust's business segments, the effective international, national and regional economic conditions and the availability of capital to fund further investments in the Trust's business, as well as those discussed or referenced under the heading "Risk and Risk Management" in the MD&A. Actual events or results may differ materially from those suggested by any forward-looking statements. You should not place undue reliance on any forward-looking statements contained, or incorporated by reference, in the MD&A. By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. Although management of the Trust believes that the expectations reflected in the forward-looking statements are reasonable, there can be no assurance that future results, levels of activity, performance or achievements will occur as anticipated. Neither the Trust nor any other person assumes responsibility for the accuracy and completeness of any forward-looking statements, and no one has any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or such other factors which affect this information, except as required by law.

MD&A Contents

Declaration of Trust

The investment policies of the Trust are outlined in the Trust's DOT and a copy of this is available on request to all Unitholders. Further information concerning the DOT can also be located beginning on page 44 of the AIF. Some of the main financial and operating guidelines as set out in the DOT are as follow:

INVESTMENT GUIDELINES

1. Acquire and operate multi-family residential property;
2. No single asset shall be acquired if the cost of this asset, net of debt secured by such asset, will exceed 15% of the Trust's "Gross Book Value" (as such term is defined in the DOT) ; and
3. Investments in joint ventures must include a minimum investment of 25%.

OPERATING POLICIES

1. Maximum debt capacity is 70% of Gross Book Value;
2. Maximum leverage on any specific asset may not be greater than 75% of the market value of noted asset;
3. No guaranteeing of third party debt outside its existing structure and potential joint venture partner structures;
4. Both structural and environmental third party surveys are required prior to the acquisition of a multi-family asset; and
5. Commitment to expending at least 8.5% of its gross consolidated annual rental revenues generated from properties that have been insured by Canada Mortgage and Housing ("CMHC").

At December 31, 2004, the Trust was in material compliance with all investment and operating policies stipulated in the DOT. More detail will be provided later in this document with respect to certain detailed calculations.

Business Overview

Boardwalk Real Estate Investment Trust ("Boardwalk REIT", "Boardwalk" or the "Trust") is an unincorporated, open-ended real estate investment trust created pursuant to a declaration of trust, dated January 9, 2004, as amended and restated on May 3, 2004 (the "Declaration of Trust" or "DOT"), under the laws of the Province of Alberta. Boardwalk REIT was created to invest in revenue producing multi-family residential properties or interests within Canada, initially through the acquisition of the operations of Boardwalk Equities Inc. (or the "Corporation").

On May 3, 2004, the Corporation sold all of its assets and undertakings to Boardwalk REIT. Boardwalk REIT units trade on the Toronto Stock Exchange under the symbol "BEI. UN". Boardwalk REIT's principal objectives are to provide its unitholders ("Unitholders") with monthly cash distributions, partially on a Canadian income tax-deferred basis, and to increase the value of its units through the effective management of its residential multi-family revenue producing properties and the acquisition of additional, accretive properties. As at the end of 2004, Boardwalk REIT owned and operated in excess of 250 properties, comprising 32,159 residential units, totalling approximately 27 million net rentable square feet. As of December 31, 2004, Boardwalk REIT's property portfolio was concentrated in the provinces of Alberta, Saskatchewan, Ontario and Quebec. Subsequent to December 31, 2004, Boardwalk REIT acquired an additional 1,079 residential units in the provinces of Alberta (446 units) and British Columbia (633 units). This resulted in a property portfolio of 33,238 residential units as of February 17, 2005, and marked the inaugural commencement of Boardwalk REIT's operations in the province of British Columbia.

Boardwalk REIT is Canada's largest multi-family real estate investment trust as measured by assets and total market capitalization, and Canada's largest owner/operator of multi-family rental communities.

Boardwalk's purpose is to deliver to Unitholders stable and reliable cash distributions that will grow over the long term. To accomplish this, the Trust follows a strategy of owning, managing and operating multi-family residential units in Canada, and has developed an operating strategy, detailed later in this document, that primarily focuses on its people, especially its valued Associates and Customers.

Values, Vision and Objectives

Boardwalk REIT is a fully integrated, Customer-oriented, multi-family residential real estate ownership and management organization. It is Canada's largest publicly traded owner/operator of multi-family residential communities and specializes in the acquisition, operation, value enhancement, and sale of multi-family residential properties within Canada. At December 31, 2004, Boardwalk REIT's property portfolio was located in the provinces of Alberta, Saskatchewan, Ontario and Quebec. Subsequent to the 2004 year-end, Boardwalk REIT entered the British Columbia market, with acquisitions located in the cities of Vancouver and Victoria. Its head office is in Calgary, Alberta.

A COMMITMENT TO VALUE

Boardwalk REIT's Vision and business strategy are targeted on effectively meeting the needs of our Customers. It is our belief that this focus will result in the most significant long-term value creation for all our stakeholders. Our key stakeholders include our Associates, major financial and mortgage partners, including Canada Mortgage and Housing Corporation ("CMHC"), strategic operational partners and Unitholders.

OUR VISION

Boardwalk REIT's Vision is to be Canada's leading provider of multi-family residential housing. We believe we will accomplish this through the continued careful cultivation of internal growth, combined with a targeted and disciplined external acquisition program.

Our employee Associates are expected to adhere to the following guiding principles:

We will:

- maintain a team-oriented work environment where mutual respect, trust and honesty exists between all Associates and Customers;
- serve our Customers' need for quality, affordable, well-kept and carefree homes;
- maintain building exteriors and landscaping, thereby increasing "curb appeal";
- have well-kept common areas and ensure our properties are clean and well-maintained;
- maintain an equitable balance between the needs of our Customers, Associates, unitholders, community and families;
- nurture and promote a learning environment where our Associates' skills and capabilities grow with the needs of both the Trust and our Customers, and accept that these needs will constantly evolve and improve; and
- utilize the latest tools and technology designed to increase the operating efficiency of the Trust as a whole.

We value:

- **Integrity**

We will be honest, respectful, and trusting in our dealings with others, appreciating their views and differences.

- **Teamwork**

We will effectively work as a team, appreciating and benefiting from each other's unique talents and skills in an open environment while recognizing that the team's successes are our successes.

- **Customer Service**

We will promptly respond to Customer concerns and needs with thoughtfulness, compassion and innovation. We will strive to develop proactive solutions though a support network and a positive service attitude.

- **Social Responsibility**

We will contribute to our community and encourage our Associates to contribute in ways that reflect the Golden Rule of treating others in a way we would wish to be treated, balancing our needs with those of others.

- **Our Associates**

We will provide a safe and respectful work environment that attracts, supports, develops, and recognizes high-performing and innovative team members.

We believe that by adhering to our Vision and Values, and implementing strategies consistent with these principles, Boardwalk REIT will produce higher sustainable operating cash flows and a continued appreciation of its property values. The result will be enhanced value for all our stakeholders.

Achieving this goal requires the full integration of our core strategies of focused investing, superior property management and the implementation and effective use of new technologies.

Our pro-active property asset management strategy includes the following:

- The acquisition of existing multi-family residential properties throughout Canada;
- The selective renovation and repositioning of existing projects resulting in increased operating returns;
- The continued enhancement of cash flow from existing properties;
- The stabilization of new projects to increase cash flows;
- The utilization of a focused sales discipline; and
- The reinvestment of released equity back into the portfolio to create additional value-added opportunities.

To support our overall operating strategy, it is necessary to:

- Ensure ample capital is available at all times for acquisitions and value-added enhancements;
- Appropriately allocate available capital to existing project enhancement and continuing new acquisitions;
- Utilize suitable levels of debt leverage;
- Determine and utilize the lowest cost of capital sources;
- Actively manage our exposure to interest rate and renewal risk;
- Optimize the use of National Housing Act ("NHA") insurance through CMHC to enhance leverage and access lower financing rates.

FINANCIAL REPORTING REVIEW

With the change in legal entity status from a corporation to the Trust, we have reviewed the required financial reporting requirements. We have determined that Boardwalk REIT is a continuation of its predecessor, despite Boardwalk Equities Inc. and Boardwalk REIT having different legal forms, and should follow the continuity of interest method of accounting in accordance with section 3.2 of National Policy 41-201 entitled, "Income Trusts and Other Indirect Offerings" in force [illegible] December 3, 2004. Under the continuity of interest [illegible]ethod of accounting, Boardwalk REIT's acquisition of the [illegible]erations of Boardwalk Equities Inc. is recorded at the net [illegible] value of the Corporation's assets and liabilities on May 3, 2004, and the Unitholders' capital to Boardwalk REIT [illegible]nts the shareholders' equity of the Corporation at that [illegible] The Corporation's future income tax liabilities in the [illegible] of $73.6 million were eliminated on transfer of the [illegible]f Boardwalk Equities Inc. to Boardwalk REIT, other than [illegible]portion related to tax and accounting base differences in [illegible]porate subsidiaries of Boardwalk REIT.

[illegible] financial information, discussion and analysis for the year ended December 31, 2004 reflect the activities of Boardwalk [illegible]uities Inc. for the period from January 1, 2004 to May 2, 2004, combined with the activities of Boardwalk REIT for the period from May 3, 2004 to December 31, 2004. The comparative figures represent the activities of Boardwalk Equities Inc. for the same period in 2003. Note 3 to the audited consolidated [illegible]ial statements for the year ended December 31, 2004 [illegible] additional details on how the earnings and cash [illegible] Boardwalk REIT and its predecessor were combined.

NOTE REGARDING NON-GAAP FINANCIAL MEASURES

Boardwalk REIT assesses and measures segmented operating [illegible]lts based on performance measures referred to as "Funds From Operations" ("FFO"), Distributable Income ("DI") and EBITDA ("EBITDA"). FFO, DI and EBITDA are widely accepted [illegible]pplemental measures on the performance of a Canadian [illegible]estate investment trust; however, they are not measures defined by Canadian generally accepted accounting principles [illegible] at the date hereof ("GAAP"). The GAAP measurement most directly comparable to FFO, DI and EBITDA is net earnings. FFO, DI and EBITDA should not be construed as an alternative to net earnings or cash flow from operating activities (determined in accordance with GAAP) as indicators of the Trust's performance. In addition, the Trust's calculation methodology for FFO, DI and EBITDA may differ from that of other real estate companies and trusts. DI is not assured and the Trust's future operating results may vary.

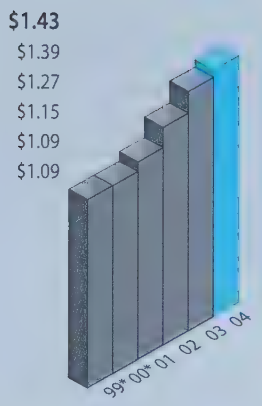
PERFORMANCE REVIEW

All Canadian investment trusts are governed by the rules set out in a declaration of trust. This document outlines both qualitative and quantitative guidelines for management to follow. One of the key financial guidelines in the Trust's DOT is "Distributable Income" ("DI"). Another key performance indicator, although not specifically referred to in the DOT, is FFO. Although both of these reported amounts are non-GAAP measures (unlike net earnings), both the real estate industry and management feel they are useful indicators of performance.

Historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values, instead, have historically risen or fallen with market conditions, many industry investors and analysts have considered presentation of operating results for real estate companies that use historical cost accounting to be insufficient by themselves. Thus, the Canadian Institute of Public and Private Real Estate Companies ("CIPPREC") feels the use of FFO as a supplemental measure of operating performance that excludes historical costs depreciation, among other items, from net income based on generally accepted accounting procedures is appropriate. The use of FFO, combined with the required presentations, has been fundamentally beneficial, improving the understanding of operating results of real estate companies and investment trusts among the investing public and making financial comparisons between such corporations and trusts more meaningful. We generally consider FFO to be a useful measure for reviewing our comparative operating and financial performance (although FFO should be reviewed in conjunction with net income, which remains the primary measure of performance), because by excluding real estate asset depreciation and amortization, as well as non-current taxes, FFO can help one compare the operating performance of a company's or trust's real estate between periods or as compared to different companies or trusts. We believe that FFO is the best measures of economic profitability for real estate investment trusts. Although not a standardized term, DI is the basis on which the Trust will determine the amount of distributions it will pay to Unitholders.

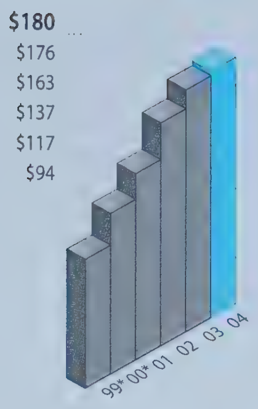
Boardwalk REIT generates revenues, cash flows and earnings from two separate sources, rental operations and from the sale of real estate properties.

Boardwalk REIT's most consistent and largest source of income comes from its rental operations. Income from this source is derived from leasing individual apartment units to customers who have varying lease terms ranging from month-to-month to twelve-month leases.



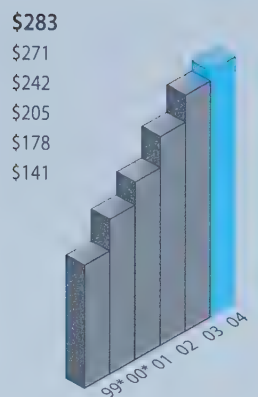
Funds From Operations Per Share (Cdn$)

*May 31 year end



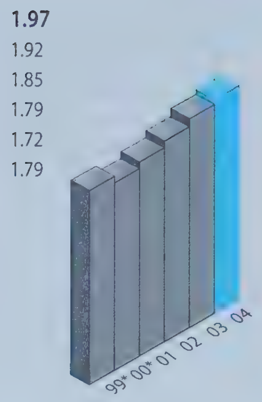
Net Operating Income (Cdn$ Millions)

*May 31 year end



Rental Revenue (Cdn$ Millions)

*May 31 year end



Rental Interest Coverage Before Corporate Charges and Gains on Sales (ratio)

*May 31 year end

Boardwalk REIT also generates additional income from the periodic sale of selective real estate properties. The sale of these properties is part of Boardwalk REIT's overall operating strategy pursuant to which the equity generated through a sale is then utilized by Boardwalk REIT for the acquisition of new rental properties, to assist in its property value enhancement program or for the acquisition of Boardwalk REIT's trust units in the public market.

PERFORMANCE MEASURES

DI is computed pursuant to a formula outlined in the DOT. The DOT also provides that the Trust be required to pay out all taxable income to Unitholders in the form of monthly distributions. It is the current policy of the Trust to distribute to its Unitholders 85% of DI on an annualized basis. The Trust has indicated previously that, on an annualized basis, it will distribute $1.24 per outstanding unit per year (or $0.103 per trust unit on a monthly basis) for 2004. On November 15, 2004, the Trust announced an increase to its monthly cash distributions by 1.6%, to $0.105 per trust unit, or $1.26 per trust unit per year, beginning with the month of November 2004. For the fourth quarter of 2004, a total of $16.6 million was declared in DI. The Trust has also implemented a distribution reinvestment plan (the "DRIP"). The essence of this plan is that a Unitholder has the option, in lieu of receiving monthly distributions, to receive trust units from treasury. The DRIP allows participants to accept all or part of their monthly distributions in additional units. To promote this plan, the Trust offers a 3% premium on the units distributed under the plan. This plan is relatively new and, to date, not a significant number of Unitholders have elected to participate in this option.

HOW DID WE DO?

At the beginning of the 2004 fiscal year, certain selective performance targets were set out for fiscal 2004. The following chart compares our forecasted performance to our actual results in fiscal 2004. Explanations for any significant variances are provided below the chart.

Actual Results	2004 Actuals	2004 Objectives
FFO Rental Operations	$1.43	$1.40 to $1.44
FFO Property Sales	-	-
Total FFO	$1.43	$1.40 to $1.44
Distributable Income	$1.49	$1.46 to $1.49
New Unit Acquisitions	917	1,000 to 2,000
Stabilized Buildings NOI	0.3%	1.0% to 2.0%

On a regular basis, we review the assumptions used in providing our full-year guidance to determine if any adjustment to these assumptions is required. During the third quarter of 2004, Boardwalk REIT narrowed its market guidance for FFO and distributable income for fiscal 2004. The revision was mainly the result of better-than-expected operating results for the first nine months of 2004.

Both actual FFO and DI for fiscal 2004 were at the higher end of our 2004 posted objectives. The following chart documents on a per unit basis where the growth has come for the Trust as compared to the results posted for fiscal 2003.

	12 Months
FFO Per Unit - December 2003	$ 1.39
Stabilized Properties	$ 0.01
Unstabilized	$ 0.04
Financing Charges	$ 0.01
Large Corporation Tax Savings	$ 0.04
Other	$ (0.01)
Unit Dilution	$ (0.05)
FFO Per Unit - December 2004	$ 1.43

As noted, the growth for 2004 came from the growth in our underlying income, or net operating income, generated from our revenue producing properties, with the balance coming from interest savings and a reduction in large corporation taxes.

In the following table, Boardwalk REIT provides a reconciliation of net earnings in accordance with GAAP to FFO and DI for the selected periods:

Distributed Income / FFO in $000's, except per unit amounts	Year Dec-04	Year Dec-03	% Change
Net earnings from continuing operations	$ 4,779	$ 7,000	-32%
[illegible]			
Earnings from discontinued operations	$ -	$ 751	
uture income taxes	$ (1,698)	$ 11,761	
ferred income taxes on scontinued operations	$ -	$ 329	
[illegible]	$ 72,439	$ 50,766	
nds from operations	$ 75,520	$ 70,607	7%
ferred financing costs nortization incurred prior May 3, 2004	$ 3,053	$ 3,227	
ict proceeds on disposition	$ -	$ (1,080)	
justment for new acquisition k-to-market on assumed debt May 3, 2004	$ (91)	$ -	
istributable income	$ 78,482	$ 72,754	8%
nds from continued operations all property sales	$ 75,520	$ 69,527	9%
tal funds from operations - per unit	$ 1.43	$ 1.39	3%
nds from continued operations excluding all property sales) per unit	$ 1.43	$ 1.37	4%
ributable income - per unit	$ 1.49	$ 1.43	4%

erall, Boardwalk REIT earned $75.5 million in total FFO for he year ended December 31, 2004, compared to $70.6 million its predecessor, the Corporation, for the same period in the r year, representing an increase of approximately 7%. DI or fiscal 2004 was $1.49 per outstanding unit, an increase of roximately 4% from that reported in the prior year.

ENTAL OPERATIONS

ntal revenue for the current year increased 4% compared the prior year, mainly as a result of the performance shown properties that were acquired in the last two years. The majority of these new properties are located in Quebec.

Operating expenses were higher than expected, mainly the result of increased expenses for our existing operations as well as added operating expenses associated with our newly acquired properties.

SALES OF PROPERTIES

There were no property sales during the 2004 fiscal year.

NEW UNIT ACQUISITIONS

We purchased 917 new units at various times during the year compared to our projection of between one and two thousand new units to be acquired in fiscal 2004.

STABILIZED PROPERTIES

"NOI", or Net Operating Income, includes all rental revenue generated at the rental property level, less related direct costs such as utilities, property taxes, insurance and on-site maintenance wages and salaries.

"Stabilized Properties" are defined as properties that have been owned by us for a 24-month period or greater.

Our Stabilized Properties reported an increase of 0.3% in NOI for 2004 compared to the same period in 2003. It was our expectation that stabilized properties NOI would increase between 1.0% and 2.0%. The reported results were lower than projected, mainly the result of increasing revenues being more than offset by increasing operating costs.

Financial Performance Summary

At a Glance in $000's, except per unit amounts	2004	2003	% Change
Total Assets	**$1,809,139**	$1,803,380	0%
Total Rental Revenue	**$282,510**	$270,992	4%
Net Earnings	**$4,779**	$7,751	-38%
Total Funds From Operations	**$75,520**	$70,607	7%
Distributable Income	**$78,481**	$72,754	8%
Net Earnings Per Unit	**$0.09**	$0.15	-40%
Funds From Operations Per Unit	**$1.43**	$1.39	3%
Funds From Operations Per Unit Excluding Gains	**$1.43**	$1.37	4%
Distributable Income Per Unit	**$1.49**	$1.43	4%

Total Assets were consistent with those reported in the prior year. Although the Trust did acquire new assets in fiscal 2004, it also changed its accounting policy on the depreciation method used to amortize its building assets. The effect was a significant increase in the amount of amortization reported in 2004 as compared to 2003. In addition, the Trust reported substantially lower cash and mortgage receivable balances at December 31, 2004 as compared to December 31, 2003

Total Rental Revenue increased by 4%, the result of increased rental rates, enhanced by revenue generated by new acquisitions. It should be noted that effective January 1, 2003, the handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"), Section 3475, entitled "Disposal of Long-Lived Assets and Discontinued Operations", was adopted for disposals on or after January 1, 2003. The recommendations of this section require that disposal of long-lived assets be classified as held for sale, and the results of operations and cash flows associated with the assets disposed of be reported separately as discontinued operations, less applicable income taxes. A "long-lived asset" is classified as an asset held for sale at the point in time when it is available for immediate sale, management has committed to a plan to sell the asset and

is actively locating a buyer for the asset at a sales price that is reasonable in relation to the current fair value of the asset, and the sale is probable and expected to be completed within a one-year period. For unsolicited interest in a long-lived asset, the asset is classified as held for sale only if all the conditions of the purchase and sale agreement have been met, a sufficient purchaser deposit has been received and the sale is probable and expected to be completed shortly after the end of the current period. The impact of adopting the new recommendations for disposals of long-lived assets on or after January 1, 2003 is disclosed in Note 5 to the audited consolidated financial statements of the Trust for the fiscal year ended December 31, 2004.

Net Earnings decreased by approximately 32%, mainly the result of the Trust changing it amortization policy from the sinking fund to a straight-line depreciation method, effective January 1, 2004. The change resulted in a significantly higher amortization amount being charged against earnings. The change was consistent with the new CICA Section 1100, and was applied prospectively as was allowed under the new section. More details on this will be provided later in this document.

FFO and DI increased by 7% and 8%, respectively. The increase is mainly the result of increased operational performance of our unstabilized properties, combined with a reduction in our overall mortgage debt financing rate and savings resulting for the conversion to the Trust from a corporation in May of 2004. More details on our mortgage debt performance will be provided later in this document.

FINANCIAL STATEMENT ANALYSIS

Consolidated Statements of Earnings

RENTAL OPERATIONS

The segmented amounts reported below as rental revenue exclude interest revenue generated. Boardwalk REIT, from time to time, will generate interest revenue from interest charged on vendor mortgages receivable and from the investment of excess cash available. These excess funds are invested in low-risk, interest-bearing investments. The amount of interest revenue reported for fiscal 2004 was $0.6 million compared to $0.7 million for fiscal 2003. Due to the insignificance of these amounts, interest revenue is included in rental income in the consolidated statements of earnings. However, the amounts referred to as rental revenues in the segmented operations exclude the interest revenue component. In addition, certain comparative figures for fiscal 2003 have been reclassified to conform with the current year's presentation, or as a result of accounting changes.

In 000's, except per unit amounts	12 Months 2004	12 Months 2003	% Change
Rental revenue	**$ 282,510**	$ 270,992	4%
Expenses			
Operating expenses	**$ 35,364**	$ 33,819	5%
Utilities	**$ 38,493**	$ 34,736	11%
Utility rebate	**$ (1,304)**	$ 0	
Property taxes	**$ 29,930**	$ 26,217	14%
	$ 102,483	$ 94,772	8%
Net operating income	**$ 180,027**	$ 176,220	2%
Average rent per unit per month	**$741**	$734	1%
Operating costs per unit per month	**$270**	$257	5%
Operating margins	**64%**	65%	

Overall, Boardwalk REIT's rental operations reported strong results. The reported increase of 4% in rental revenue is the result of new revenue generated through the acquisition of apartment units throughout the year combined with the annualization of those properties acquired during fiscal 2003 that represented less then a full fiscal year of operations in fiscal 2003. Total rental expenses increased by 8%, the combined result of increased costs from existing operations as well as the additional costs associated with new unit acquisitions. Overall, operating margins decreased slightly as a result of increased pressure on operating expenses outpacing revenue growth over this fiscal period. During fiscal 2004, recurring utility rebates totaling $1.3 million were received or receivable from the Government of Alberta. Operating expenses, which include repairs and maintenance, advertising and insurance, were up 5% compared to last year, mainly as a result of increased repair and maintenance costs.

Boardwalk REIT closely monitors and manages individually the performance of each of its rental properties. For the reader's convenience, we have provided a summary of our operating results on a province-by-province basis.

Alberta Rental Operations

In 000's, except per unit amounts	12 Months 2004	12 Months 2003	% Change
Rental revenue	**$ 152,551**	$ 152,583	0%
Expenses			
Operating expenses	**$ 18,938**	$ 19,013	0%
Utilities	**$ 20,559**	$ 19,208	7%
Utility rebate	**$ (1,304)**	$ 0	
Property taxes	**$ 13,150**	$ 11,016	19%
	$ 51,343	$ 49,237	4%
Net operating income	**$ 101,208**	$ 103,346	-2%
Average rent per unit per month	**$746**	$745	0%
Operating costs per unit per month	**$251**	$240	5%
Operating margins	**66%**	68%	

Alberta operations for the year ended December 31, 2004 reported results slightly lower than those reported for the 2003 fiscal year. Rental revenue in 2004 was consistent with the amounts reported during the same period in the prior year. Total rental expenses were slightly higher than those reported for fiscal 2003, due primarily to a substantial increase in property taxes. This increase can significantly be attributable to both Calgary and Edmonton. It is our view that these increases are not justified and we are in the process of appealing these assessments. However, at this time, we are unable to predict the outcome of these appeals and, as a result, cannot make reasonable estimates on the property tax rebates, if any, we may ultimately receive. As such, no provision for any such rebates has been made. Marginally lower operating expenses helped to offset the property tax increase.

Saskatchewan Rental Operations

In 000's, except per unit amounts	12 Months 2004	12 Months 2003	% Change
Rental revenue	$ 34,275	$ 34,038	1%
Expenses			
Operating expenses	$ 4,213	$ 4,585	-8%
Utilities	$ 4,277	$ 3,928	9%
Property taxes	$ 4,440	$ 4,723	-6%
	$ 12,930	$ 13,236	-2%
Net operating income	$ 21,345	$ 20,802	3%
Average rent per unit per month	$ 613	$ 613	0%
Operating costs per unit per month	$231	$238	-3%
Operating margins	62%	61%	

Saskatchewan operations for 2004 reported results that were slightly higher than those reported in 2003. Rental revenue increased by 1%, mainly the result of marginally higher market rents. Total rental expenses were down 2% from the same period in 2003. The reported decrease was mainly the result of lower property taxes and operating expenses, such as insurance and repair and maintenance. Overall, the Saskatchewan portfolio reported higher net operating income of 3% over fiscal 2003 and higher operating margins compared to the prior year.

Ontario Rental Operations

In 000's, except per unit amounts	12 Months 2004	12 Months 2003	% Change
Rental revenue	$ 36,194	$ 34,850	4%
Expenses			
Operating expenses	$ 4,433	$ 4,838	-8%
Utilities	$ 6,015	$ 5,846	3%
Property taxes	$ 6,120	$ 5,679	8%
	$ 16,568	$ 16,363	1%
Net operating income	$ 19,626	$ 18,487	6%
Average rent per unit per month	$723	$703	3%
Operating costs per unit per month	$331	$330	0%
Operating margins	54%	53%	

Ontario operations reported financial results in 2004 that were ahead of those reported for fiscal 2003. Rental revenue increased 4% compared to the same period in the prior year, mainly the result of increased market rents. Total rental expenses increased slightly by 1% from the same period in 2003. The reported increase was mainly the result of higher property taxes.

Quebec Rental Operations

In 000's, except per unit amounts	12 Months 2004	12 Months 2003	% Change
Rental revenue	$ 58,811	$ 48,276	22%
Expenses			
Operating expenses	$ 6,393	$ 5,189	23%
Utilities	$ 7,839	$ 5,650	39%
Property taxes	$ 6,174	$ 4,725	31%
	$ 20,406	$ 15,564	31%
Net operating income	$ 38,405	$ 32,712	17%
Average rent per unit per month	$846	$828	2%
Operating costs per unit per month	$293	$267	10%
Operating margins	65%	68%	

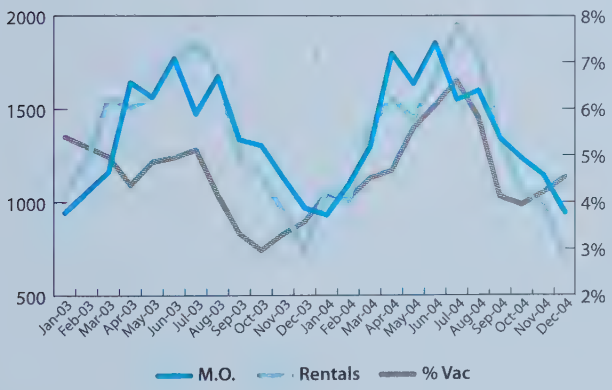
The majority of our external growth over the last few fiscal years has come from the Province of Quebec. Quebec operations reported strong gains in both revenue and net operating income for fiscal 2004. Rental revenue has increased by 22% on the combined effect of improving results on existing properties and the addition of new units in this market. Total rental expenses, accordingly, have increased by 31%. To better understand the external growth impact we have experienced in this market, it is best to look at the per unit amounts. Overall, on a per unit basis, revenue was up 2%; however, operating costs increased 10%, resulting in a decrease in overall operating margins from 68% in 2003 to 65% in 2004. The largest increase affecting total operating costs was in the cost of utilities. During 2003, the Trust benefitted from a very attractive natural gas contract, which we inherited as part of the Nun's Island property acquisition. This contract has since expired. Under a new natural gas contract, rates were substantially higher compared to the previous contract.

OPERATIONAL SENSITIVITIES

Given the nature of Boardwalk REIT's rental operations, certain sensitivities exist that may have a material impact on its overall operational outcome. The most significant of these sensitivity factors is vacancy.

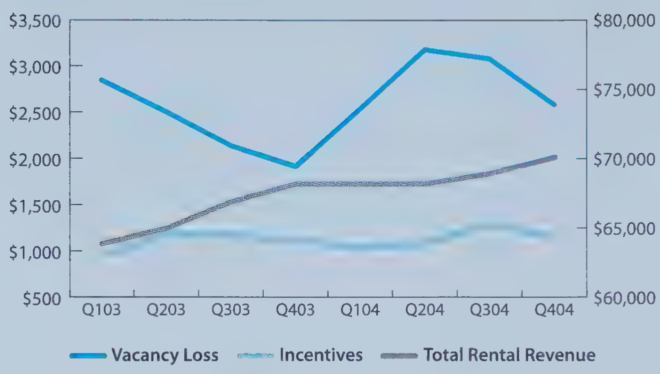
Boardwalk REIT's Portfolio Vacancy		
City	**2004**	2003
Calgary	**5.42%**	6.30%
Edmonton	**5.69%**	4.57%
Gatineau	**9.71%**	2.42%
Kitchener	**4.43%**	3.29%
London	**3.37%**	3.43%
Montreal	**2.42%**	2.04%
Other Alberta	**4.18%**	6.85%
Quebec City	**3.55%**	1.39%
Regina	**4.10%**	3.03%
Saskatoon	**6.13%**	4.50%
Windsor	**6.49%**	4.06%
Grand Total	**4.85%**	4.29%

Fiscal 2004 saw the portfolio's overall vacancy rate increase to 4.85%, compared to 4.29% for the same period in the prior year. The increase is mainly the result of increasing vacancy in all markets, with the exception of Calgary, other Alberta markets and London. Management attributes the overall vacancy rate increase by 56 basis points compared to the prior year primarily to a higher proportion of tenants who took advantage of record low interest rates to purchase houses or condominiums, and continues to focus efforts on attracting and retaining tenants.



The issue of demand and supply, as with other industries, is an important performance indicator for multi-family real estate. The above chart attempts to show the total move-outs (supply) compared to total move-ins (demand) and the resulting impact on reported vacancy. The cumulative impact of supply being greater than demand is the primary driver in the reported vacancy rate.

Vacancy Loss and Incentives (in 000's)



Vacancy loss and rental incentives offered are strong indicators of current and future revenue performance. Depending on specific market conditions, the correct balance is important to maintain in order to best manage overall economic rental revenue. The above chart details, on a quarterly basis, rental incentives offered versus vacancy loss (measured on the left axis) and the impact of the two on overall rental revenue (measured on the right axis).

Vacancy sensitivity

As with all real estate rental operators, Boardwalk REIT's financial performance is sensitive to vacancy rates. Based on the current reported market rents, a 1% annualized change in reported vacancy would impact overall rental revenue by approximately $2.9 million, or $0.05 per unit on a diluted basis.

STABILIZED BUILDINGS ANALYSIS

With significant acquisitions in Quebec over the last several quarters, most notably the acquisition of the 3,100 unit Nun's Island portfolio in May 2002, Boardwalk REIT's overall percentage of Stabilized Properties was 92% of its total rental unit portfolio as at December 31, 2004, or a total of 29,609 rental units. The following chart provides a regional breakdown on these properties for fiscal 2004 as compared to fiscal 2003.

	Units	Total Rental Revenue	Total Costs	NOI	% of NOI
Calgary	4,887	-0.4%	-0.6%	-0.4%	20%
Edmonton	10,555	-0.5%	8.7%	-5.2%	34%
Other Alberta	1,604	4.6%	-10.6%	12.0%	6%
Saskatchewan	4,660	0.7%	-2.3%	2.6%	12%
Ontario	4,136	3.9%	1.3%	6.2%	12%
Quebec	3,767	2.7%	1.3%	3.4%	16%
	29,609	1.0%	2.4%	0.3%	100%

Overall, rental revenue increased by 1.0% from the prior year for our Stabilized Properties portfolio. Rental expenses reported for the period increased by 2.4% from the same period in 2003, resulting in NOI increasing by 0.3% over the same period last year. Of significant note is the reported decrease in reported NOI of 5.2% for Edmonton. This decrease, for the most part, was caused by the substantial increase in reported

property taxes. As was previously noted, we are in the process of appealing these assessments. At this time, however, we have not adjusted the reported amounts for any kind of future potential tax recovery.

he 2004 reported results were impacted favorably by the receipt of an Alberta Provincial Natural Gas Rebate in the amount of approximately $1.3 million. Unlike previous rebates, rebate most likely will be recurring in nature to help offset s in natural gas pricing. If we were to exclude this rebate, ould have decreased by 0.5%.

ESTIMATED LOSS-TO-LEASE

lwalk REIT's estimated "loss-to-lease", representing the between estimated market rents and actual oc- ents as of December 31, 2004 adjusted for current oc- ncy levels, totalled $8 million on an annualized basis. The should note that estimated loss-to-lease is a non-GAAP re and that reported market rents can be very seasonal such, loss-to-lease amounts will vary from quarter to . The significance of this change could materially affect dwalk REIT's estimated loss-to-lease amount. The impor- this estimate, however, is that it can be an indicator ture rental performance assuming consistent economic conditions and trends.

FINANCING COSTS

Financing costs for fiscal 2004 of $76.3 million have decreased from $76.6 million reported for the prior year despite mort- ages payable on the balance sheet at December 31, 2004 1.41 billion was $27.1 million higher than the $1.39 billion ted at December 31, 2003. The decrease is directly the sult of the decrease in the overall average interest rate rged on the mortgage portfolio. At December 31, 2004, the ported weighted average interest rate of 5.49% was down from the weighted average interest rate of 5.68% at December 003. Boardwalk REIT has been able to take advantage of current low interest environment to refinance and renew rtain mortgages, resulting in a lower overall weighted erage mortgage rate. The average maturity of the mortgage portfolio is approximately four years.

ardwalk REIT's acquisition strategy involves locating nd acquiring accretive properties at prices that are below placement value. Once acquired, these properties undergo rious value enhancing upgrades as part of Boardwalk REIT's stabilization program. Boardwalk REIT utilizes external financ- ing to leverage these properties up to, in accordance with the DOT, a maximum of 75% of the purchase price and, where appropriate, Boardwalk REIT adds additional financing for all upgrades performed.

Boardwalk REIT concentrates on multi-family residential real estate. It is, therefore, eligible to obtain government-backed insurance through the NHA, which is administered by CMHC. The benefits of purchasing this insurance are two-fold.

The first benefit of using CMHC insurance is that Boardwalk REIT can normally obtain lower interest rate spreads on its property financing. Although the amount of the interest rate spreads will vary, they are currently between 40 and 60 basis points above the respective Government of Canada Bonds. This compares favourably to the spreads on conventional financing, which currently range from 120 to 175 basis points above such bonds.

The second benefit of the CMHC insurance relates to the low- ering of Boardwalk REIT's overall renewal risk. Once insurance is obtained on the related mortgage, the insurance is transfer- able and follows the mortgage for the complete amortization period, typically between 25 and 40 years, depending on the type of asset being insured. With the insurance being transferable between approved lenders, it lowers the overall risk of Boardwalk REIT not being able to refinance the asset on maturity.

At December 31, 2004, approximately 99% of Boardwalk REIT's mortgage debt was backed by this NHA insurance, with a weighted average amortization period of approximately 23 years.

INTEREST RATE SENSITIVITY

Although Boardwalk REIT manages its financing risk in a vari- ety of ways, as discussed later in the MD&A, it is important for the reader to understand the potential impact to the Trust as a whole with respect to significant interest rate changes. Due to the size of Boardwalk's overall mortgage portfolio, it has been prudent to spread out the maturity of these mortgages over a number of years. In fiscal 2005, the Trust has approximately $189 million maturing with a weighted average rate of 4.55%. If we were to renew these mortgages today with a new 5-year term, the new rate would be approximately 4.0%, resulting in a 55 basis points cushion built into our current maturing rates. In contrast, the interest rate sensitivity on the debt maturing in 2005 to a prevailing interest rate of 1% above existing rates would have an estimated impact of approximately $1.9 million, or $0.04 per outstanding trust unit.

PROPERTIES HELD FOR RESALE

Although not considered core operations, the selective sale of non-core and other properties continues to be a part of our overall operating strategy. These asset sales permit Boardwalk REIT to access additional equity, which is then reinvested in new acquisitions or utilized in our value-added capital improvement program.

In 000's, except per unit amounts	2004	2003
Total proceeds	–	$ 3,040
Net book value	–	$ 1,993
Gain on sale	–	$ 1,047
FFO per unit	–	$0.02
Units sold	–	40

In fiscal 2004, there were no property sales completed. During 2003, a project consisting of 40 units was sold for an average price of $76 thousand per residential unit. The sale price per residential unit is dependant on a number of factors, including the type and location of the building. Overall, the contribution to FFO from property sales represented $0.02 per trust unit in 2003.

ADMINISTRATION

Included in administration expenses are costs associated with Boardwalk REIT's centralized administrative functions, its regional distribution centres, provincial capital tax incurred prior to May 3, 2004, as well as on-site marketing and service Associates. The amount reported for fiscal 2004 of $23.5 million was a slight increase of $0.2 million over the $23.3 million reported in fiscal 2003.

DEFERRED FINANCING COSTS AMORTIZATION

The amounts reported here relate primarily to the amortization of CMHC premiums, which are paid as part of the financing of our mortgage. Under current reporting requirements, if Boardwalk REIT replaces an existing mortgage with a new mortgage, all costs associated with the original mortgage, including the unamortized balance of the CMHC premium, are required to be charged to income in the period that this occurs. As a result of this, and due to the variable timing and strategy of each mortgage at maturity, the amounts reported will vary. In 2004, Boardwalk REIT took advantage of CMHC's new product to increase its leverage rather than refinance the entire mortgage. This lowered the cost of CMHC premiums and minimized the amount of borrowing costs, resulting in a decrease in the amortization charged to earnings.

AMORTIZATION

Amortization expense is a charge taken against earnings to reflect the estimated depreciation that has occurred to our fixed assets during the reporting period in question. Although multi-family property assets have historically appreciated in value over time, under existing generally accepted accounting principles, amortization charges are required during each reporting period.

Boardwalk reviews its key amortization estimates on an ongoing basis and, if warranted, will adjust these estimates on a prospective basis.

The increase in the reported amortization is the result of a change in amortization of Boardwalk REIT's building assets from the sinking fund amortization method to a straight-line depreciation method. The change in policy was applied prospectively based on balances reported on January 1, 2004, consistent with the recommendation of the CICA.

FUTURE INCOME TAXES

During 2004, Boardwalk REIT reported future income tax recovery of $1.7 million as compared to future income taxes of $11.8 million for fiscal 2003. Most of the future income tax recovery for 2004 related to its predecessor for the period prior to May 3, 2004. In 2004, the combined federal and provincial substantively enacted tax rate in Alberta was adjusted downward.

Boardwalk REIT is a "mutual fund trust" as defined under the Income Tax Act (Canada) and, accordingly, is not taxable on its income to the extent that its income is distributed to its unitholders. This exemption does not, however, extend to the certain corporate subsidiaries of Boardwalk REIT.

NET EARNINGS

For fiscal 2004, Boardwalk REIT reported net earnings of $4.8 million, or $0.09 per unit. This compares to reported net income for 2003 of $7.8 million, or $0.15 cents per unit. The variance is mainly the result of increased amortization in 2004, partially mitigated by higher future income taxes reported for 2003.

Consolidated Statements of Cash Flows

OPERATING ACTIVITIES

Cash flow from operations

Boardwalk REIT prepares its financial statements in accordance with the recommendations of the Canadian Institute of Public and Private Real Estate Companies ("CIPPREC") and the Canadian Institute of Chartered Accountants ("CICA"). CIPPREC has adopted a measurement of funds from operations ("FFO") to supplement net income as a measure of operating performance. This is considered to be a meaningful and useful measure of real estate operating performance. Boardwalk REIT's presentation of FFO is consistent with the definition provided by CIPPREC. This measure is not necessarily indicative of cash that is available to fund cash needs and should not be considered an alternative to cash flow as a measure of liquidity. FFO does not represent cash flow from operations as defined by Canadian generally accepted accounting principles ("Canadian GAAP"). Boardwalk REIT considers FFO to be an appropriate measure of the performance of a publicly listed multi-family residential entity. In order to facilitate a clear understanding of the combined historical operating results of Boardwalk REIT, management feels FFO should be considered in conjunction with net earnings as presented in the audited consolidated financial statements. Boardwalk REIT computes FFO as follows:

In 000's , except per unit amounts	2004	2003
Net earnings	$ 4,779	$ 7,000
Add back (deduct)		
Earnings from discontinued operations		$ 751
Future income taxes	$ (1,698)	$ 11,761
Income taxes on property sale		$ 329
Amortization	$ 72,439	$ 50,766
Total funds from operations	$ 75,520	$ 70,607
Total funds from operations per unit	$ 1.43	$ 1.39

The reader is cautioned that Boardwalk REIT's calculation of FFO may be different from other real estate corporations or REITs and, as such, a straight comparison may not be warranted. For the fiscal period ended December 31, 2004, Boardwalk REIT reported total FFO of $75.5 million, or $1.43 per fully diluted unit; this represented an increase of 7.0% compared to the $70.6 million, or $1.39 per fully diluted unit, reported in fiscal 2003. The increase is the combined result of new acquisitions and the increased performance by Boardwalk REIT's existing apartment portfolio.

FINANCING ACTIVITIES

Repurchase of units (stock purchases pre May 3, 2004)

Boardwalk continued its normal course issuer bid during the first half of fiscal 2004. During 2004, a total of $2.2 million (138,400 units with an average price $15.89 per unit) was allocated to the purchase of Boardwalk REIT's own units in the market. This compared to $0.6 million (44,000 shares with an average purchase price of $14.26 per share) for fiscal 2003. The normal course issuer bid allows Boardwalk REIT to purchase up to 10% of its public float through the facilities of the Toronto Stock Exchange. Management expects to continue with this program on a periodic basis, depending on market prices and other factors as well as alternative uses for Boardwalk REIT's capital. At the time of writing, Boardwalk REIT has not renewed its normal course issuer bid.

Financing of revenue producing properties

During the year ended December 31, 2004, the financing for new acquisitions and the refinancing of existing properties totaled approximately $138.2 million versus $177.2 million for the year ended December 31, 2003. The variance is primarily the result of a reduced number of new acquisitions in 2004, which translated into a lower number of mortgage assumptions.

In the process, Boardwalk REIT was able to reduce the weighted average interest rate on its mortgage portfolio from 5.68% at December 31, 2003 to 5.49% at December 31, 2004.

INVESTING ACTIVITIES

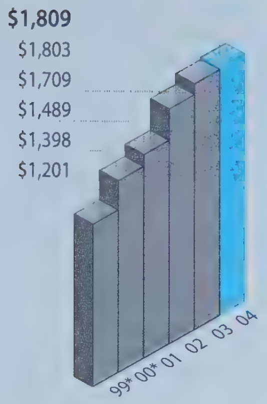
Purchase of revenue-producing properties

Date Acquired	City	Building Name	Units	Cap Rate
Feb. 11, 2004	Quebec City / Saint-Foy, QC	Complex Laudance	183	7.96%
May 13, 2004	Levis / Quebec City, QC	Domaine du Rocher	64	7.65%
May 17, 2004	Windsor, On	Forest Glade Townhomes	31	9.53%
May 26, 2004	Laval / Montreal, QC	Residence le Quatre Cent	259	8.01%
May 28, 2004	Edmonton, AB	Lord Byron Townhouses	2	
Oct. 14, 2004	Longueuil / Montreal, QC	Le Bienville	168	8.31%
Nov. 29, 2004	Tecumseh, On	Tecumseh East View Apts	98	8.08%
Dec. 14, 2004	Longueuil / Montreal, QC	Les Jardins Viva	112	9.21%
			917	

During 2004, a total of 917 new rental units for a total purchase price of $58.7 million, plus an additional $1.9 million in the form of closing transaction costs, were acquired. Combined with an adjustment of $1.4 million relating to the fair value adjustment to debt, the average cost was approximately $67,500 per unit, with an average going-in capitalization rate of 8.22% on the purchase price. This compares to 1,956 apartment units acquired during fiscal 2003 with an average acquisition cost of approximately $56,000 per unit.

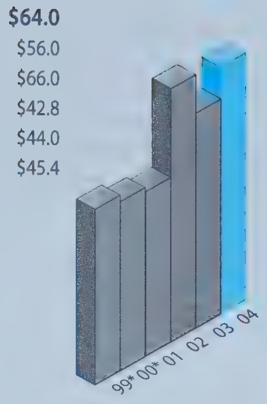
(000's)	
Year ended December 31,	2004
Cash paid	$ 38,313
Debt assumed	20,337
Total purchase price	58,650
Closing costs	1,899
Fair value adjustments to debt	1,391
Book value	$ 61,940
Allocation of book value to revenue producing properties	$ 59,459
Allocation of book value to other assets	2,481
	$ 61,940

Due to the nature of multi-family residential real estate, the amount paid for apartment units may vary dramatically based on a number of parameters, including location, type of ownership (that is, free hold versus land lease) and type of construction. As required under Canadian GAAP, on acquisition an analysis is performed on the mortgage debt assumed. The analysis focuses on the interest rates of the debt assumed; if it is determined that the in-place rates are materially below or above market rates, an adjustment is made to the book cost of the recorded asset. This adjustment for fiscal 2004 was $1.4 million as compared to $2.1 million for 2003. Also in accordance with Canadian GAAP under EIC-140, a portion of the



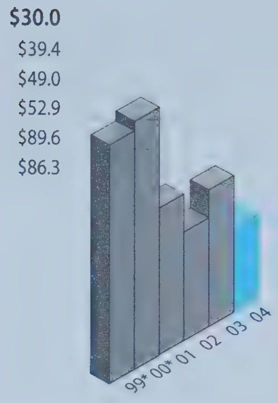
Total Assets
(Cdn$ Millions)

*May 31 year end



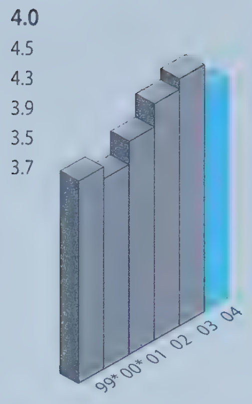
Average Acquisition Cost Per Unit (Cdn$ Thousands)

*May 31 year end



Capital Upgrades
(Cdn$ Millions)

*May 31 year end



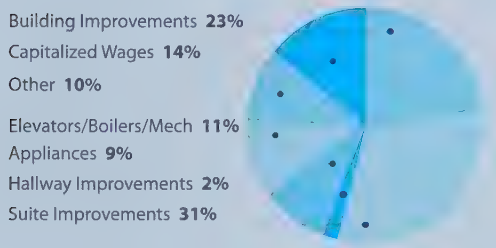
Debt to Equity
(ratio)

*May 31 year end

purchase price in the amount of approximately $2.5 million has been allocated to the value of in-place operating leases. As this EIC was applied prospectively, beginning January 1, 2004, there is no comparable for the prior year.

Project improvements to revenue producing properties

Boardwalk REIT (and its predecessor) value enhancement program creates long-term benefits for its properties. As a result, Boardwalk REIT capitalizes selected value enhancements under the category of project improvements and amortizes them accordingly.



Capital Improvements

The total amount of funds expended for renovations and project improvements in 2004 was approximately $30.5 million, down significantly from the $49.0 million expended for fiscal 2003. The decrease was expected as Boardwalk REIT begins to leverage off the approximately $300 million its predecessor spent upgrading its assets over the past five fiscal years. Included in the capitalized amounts was management's estimate with respect to the capitalization of on-site associate wages and salaries that assisted in the enhancement program, which totaled $4.3 million in fiscal 2004, representing approximately 14% of total capital expenditures. This compares to $5.1 million of capitalized wages for 2003, representing approximately 10% of total capital expenditures.

Consolidated Balance Sheets

MORTGAGES AND ACCOUNTS RECEIVABLE

The majority of the amounts reported as mortgages and accounts receivable in 2003 consist of vendor mortgages, obtained as part of the normal course of the building sale process. The decrease in the amount reported on December 31, 2004, as compared to December 31, 2003, was the result of the settlement of all of these vendor mortgages.

SUBSEQUENT EVENTS

There are three significant events that occurred subsequent to the end of fiscal 2004. They are as follow:

In January of 2005, Boardwalk REIT issued unsecured debentures in a public offering in the aggregate amount of $120 million. The debentures are rated "BBB" with a stable trend by Dominion Bond Rating Services, carry a coupon rate of 5.31% and will mature on January 23, 2012. The net proceeds will be used to fund acquisitions, repay operating lines of credit and for general trust purposes.

Subsequent to December 31, 2004, Boardwalk REIT contracted to acquire and closed on 1,079 residential units located in the provinces of British Columbia, Alberta and Quebec from unrelated third parties for an aggregate purchase price of $105.1 million. The acquisitions will be funded using cash proceeds from the issuance of unsecured debentures.

In January of 2005, Boardwalk REIT completed negotiations for a demand facility in the form of an acquisition and operating line with a major bank. The demand credit facility is secured by a first or second mortgage charge of specific assets. The maximum amount available varies with the value of the pledged assets to a maximum not to exceed $110 million. This facility carries an interest rate ranging from prime to prime plus 1.0 % per annum and has no fixed terms of repayment. All operating line amounts must be repaid commencing on July 1, 2005. At the time of writing the demand facility is $32.5 with the entire amount being withdrawn. The Trust has applied

to the major bank to increase the facility to $87 million by ...edging additional unencumbered assets. It is anticipated ...his process will be completed in the early part of the second ...uarter in 2005.

Capital Structure and Liquidity

...e of Boardwalk REIT's objectives is to ensure, in advance, ...pital resources available for the execution of its busi-...n. Capital resources are defined as the combination ...gage debt, unsecured debentures, unit capital equity, ...y generated funds and cash on hand. Significant ...y provides greater certainty as to execution, which in ... the Trust a competitive advantage in its negotia-... acquisition of additional investments. The selective ... lower yielding mature properties into cash ...ment into higher yielding investments is another ...f liquidity.

... principal liquidity demands in the future are ...d to be the repayment of maturing mortgage debt, ... its unsecured debentures, ongoing operating ...pital improvements and the acquisition of new rental ... Trust (and its predecessor) has in the past, and ...n the future, engage in acquiring its own units (or ... to May 3, 2004) from the public market as part of ...previously announced normal course issuer bid or other ... vehicles.

...rust intends to meet its short-term liquidity requirements ...n net cash flows provided by operating activities, the ...ing or refinancing of real estate properties, the issu-...e of additional any unsecured debentures, and the use of ...ing cash reserves. If warranted, the Trust will issue units ...he public.

...EBT PORTFOLIO

...walk REIT's source of debt includes specific mortgages ...t assets and the recently completed issuance of unse-... debentures. More details of the unsecured debenture ...ng will be provided later in this document.

...lwalk REIT's mortgage debt consists of specific charges ...st identifiable assets. As was previously discussed, to ...n managing its exposure and risk, the Trust participates ...NHA program administered by CMHC. At December 31, ... approximately 99% of the Trust's mortgages are insured ... this program. The NHA program allows us to purchase insurance that essentially gives the mortgage debt the backing of the Government of Canada. The insurance itself is good for the amortization period of the mortgage, ranging from 25 to 40 years. On term maturity, the debt can be transferred to any accredited lender. The addition of this insurance significantly lowers the Trust's mortgage renewal risk, while allowing the Trust to obtain rates at significant discounts to conventional debt.

Boardwalk REIT's financial position continues to be strong, with the overall mortgage level reported at 62% of Gross Book Value ("GBV"), after adjusting for entity value adjustments to both mortgage debt and real estate assets as dictated in the Trust's DOT. GBV is a non-GAAP term that is defined in the Trust's DOT. In general, it is determined as at December 31, 2004 by taking total reported assets of the Trust, adding back accumulated amortization and making a one-time adjustment in the amount of approximately $231 million with an additional offset of $40 million to reported mortgages payable.

MORTGAGES PAYABLE

Boardwalk REIT's long-term debt consists mainly of low-rate, fixed-term mortgage financing. Long-term debt consists of individual mortgages or debentures registered against the appropriate real estate assets. The maturity dates for these mortgages have been staggered to lower the overall interest rate risk.

The mortgages payable on December 31, 2004 was $1.41 billion, compared to $1.39 billion reported on December 31, 2003. This increase is the result of the continued growth of Boardwalk REIT, including the refinancing of existing debt and the assumption of debt on new acquisitions.

After a new acquisition and during the stabilization period, our strategy is to complete value-added upgrades as appropriate. The resulting increased property value then enables us to obtain additional mortgage proceeds to finance additional capital improvements or acquisitions.

During fiscal 2004, Boardwalk REIT (and its predecessor) refinanced certain maturing mortgages to higher levels, demonstrating the value creation that is occurring in its portfolio. We utilized these additional funds to assist in the financing of capital improvement projects.

Boardwalk REIT's overall weighted average interest rate has decreased from the prior year. The weighted average interest rate on December 31, 2004 was 5.49% compared to 5.68% on December 31, 2003.

To better maintain cost effectiveness and flexibility of capital, Boardwalk REIT continuously monitors short and long-term interest rates. If the environment warrants, we will convert short-term, floating rate debt to longer term, fixed rate mortgages.

Debt Maturity Chart		
Fiscal Year	Mortgage Balance as at Dec 31, 2004	Average by Year
2005	189,221	4.55%
2006	197,218	4.77%
2007	240,408	5.43%
2008	250,643	6.08%
2009	205,734	5.68%
2010	123,178	5.79%
2011	109,393	5.94%
2012	30,223	6.19%
2013	36,468	5.46%
2014	4,641	5.91%
Subsequent	26,995	6.59%
Grand Total	1,414,122	5.49%

UNSECURED DEBENTURES

Subsequent to the end of fiscal 2004, the Trust, for the first time, issued a public unsecured debenture in the amount of $120 million. The debenture is due and payable in January 2012 and, if held to maturity, is scheduled to pay an interest coupon rate of 5.31%. Although this is a new source of capital to the Trust, it is Boardwalk's belief that this facility, although not intended to replace our existing securitized insured mortgage program, offers a nice bridge with respect to cost of capital between the existing cost of individual securitized insured mortgages and the cost of raising equity at existing unit trust prices. The unsecured debenture product also offers some additional advantages including:

- A non-amortizing principal base that increases the Trust's liquidity
- The efficiency of raising a substantial amount of funds in a timely manner to assist with operational and acquisition capital needs
- Interest rates that were offered were at historically low spreads as compared to the asset securitization market

Boardwalk views the unsecured debenture market as a long-term source of new capital, and it is our intention to maintain, if not strengthen, our existing credit rating over the upcoming years. The majority of the proceeds have already been committed to the acquisition of accretive new properties and for general corporate uses as were highlighted earlier in this document.

CREDIT RATING

Dominion Bond Rating Services ("DBRS") provides credit ratings of debt securities for commercial entities. A credit rating generally provides an indication of the risk that the borrower will not fulfill its full obligations in a timely manner with respect to both interest and principal commitments.

Rating categories range from highest credit quality (generally AAA) to very highly speculative (generally C). DBRS has provided Boardwalk with a credit rating of BBB with a stable trend relating to the unsecured debentures. A credit rating in the BBB category is generally an indication of adequate credit and investment quality as defined by DBRS. A rating outlook, expressed as a positive, stable or negative trend, provides an opinion regarding the likely direction of any medium term rating actions. The credit rating accorded to the debentures is not a recommendation to purchase, hold or sell the debentures. There can be no assurance that any rating will remain in effect for any given period of time or that any rating will not be withdrawn or revised by DBRS at any time. It is the Trust's intention to maintain and strengthen this rating.

STABILITY RATING

DBRS provides stability ratings for real estate investment trusts. DBRS has assigned a stability rating of STA-3 (high) to the Trust. This stability rating is based on a rating scale developed by DBRS that provides an indication of both the stability and sustainability of a real estate investment trust's distributions per unit. Rating categories range from STA-1 to STA-7, with STA-1 being the highest. DBRS further separates the ratings into high, middle and low to indicate where within the ratings category they fall. Ratings take into consideration seven main factors of (i) operating and industry characteristics, (ii) asset quality, (iii) financial flexibility, (iv) diversification, (v) size and market position, (vi) sponsorship/governance, and (vii) growth. In addition, consideration is given to specific structural or contractual elements that may eliminate or mitigate risks or other potential negative factors. Income funds rated STA-3 (high) are considered by DBRS to be investment quality and have good stability and sustainability of distributions per unit. A stability rating is not a recommendation to buy, sell or hold securities and is subject to revision or withdrawal by DBRS at any time.

DEBT TO ADJUSTED GROSS BOOK VALUE

Boardwalk's Declaration of Trust "DOT" sets out the limit the trust is able lever its existing assets. The set limit is based on a maximum of 70% of Adjusted Gross Book Value, as referred in the means, at any time, the book value of the assets of the Trust and its subsidiaries, shown on the Trust's then most recent publicly-issued consolidated balance sheet, plus the amount of accumulated depreciation and amortization in respect of its properties, including accumulated amortization of the fair value of tangible and intangible assets recorded on the acquisition of properties, shown thereon or in the notes thereto, plus a one time adjustment to the carrying value of the Trust's assets determined at the time of the Acquisition and Arrangement (this adjustment was based on the difference between the Entity Value and the net book value of the Trust and its Subsidiaries and is equal to $231 million). The following chart documents the company's existing leverage

In $000's	Dec-04
Total reported assets	$ 1,809,139
Reported amortization	$ 304,489
	$ 2,113,628
Conversion adjustment	$ 231,400
	$ 2,345,028
Mortgages payable	$ 1,414,122
Market adjustment on mortgages (May 2004)	$ 39,750
	$ 1,453,872
[illegible] GbV ratio	62%
Maximum limit stipulated by Declaration of Trust	70%

With a DOT limit of 70% on Adjusted Debt-to-Gross Book Value, Boardwalk REIT has the ability to add additional leverage on its existing portfolio to assist with future investment in new assets.

As previously noted, subsequent to year-end, the Trust issued $120 million of unsecured debentures with an interest rate of 5.31% if held to maturity to January 2012. Adjusting for this new capital, the overall Debt-to-Gross Book Value has increased to 64%, still well below the 70% maximum and in-line with management's internal targets of approximately 65%.

Currently, the Trust has an operating and demand facility with a major financial institution. This facility is secured by a pledge of a group of specific assets. The amount available through the demand facility varies with the value of pledged assets, with the maximum limit not to exceed $110.0 million. This facility carries an interest rate varying from prime plus 0.5% to prime plus 1.5% per annum depending on the facility drawn, and has no fixed repayment terms. The facility is subject to annual review by the financial institution. Currently, there is $87 million (2003 - $37 million) available to the Trust under this facility.

EQUITY

Boardwalk has an equity market capitalization of approximately $980 million based on a unit closing price of $18.45 on the Toronto Stock Exchange on December 31, 2004.

Risk and Risk Management

Boardwalk REIT, like most real estate rental entities, is exposed to a variety of risk areas. These areas are categorized between general and specific risks. General risks are the risks associated with general conditions in the real estate sector, and consist mainly of commonly exposed risks that affect the real estate industry. Specific risks focus more on risks uniquely identified with the Trust, such as credit, market, liquidity and operational risks. The following will address each of these risks. In addition, this section should be read in conjunction with the Trust's AIF dated March 31, 2005 with reference to page 52 where additional risks and their related management are also noted.

GENERAL RISKS

Real Estate Industry Risk: Real estate investments are generally subject to varying degrees of risk depending on the nature of the property. These risks include changes in general economic conditions (such as the availability and cost of mortgage funds), local conditions (such as an oversupply of space or a reduction in demand for real estate in the area), government regulations (such as new or revised residential tenant legislation), the attractiveness of the properties to tenants, competition from others with available space and the ability of the owner to provide adequate maintenance at an economic cost. Currently, we operate in Canada, in the provinces of Alberta, Saskatchewan, Ontario and Quebec. Neither of Alberta and Saskatchewan is subject to rent control legislation; however, under Alberta legislation a landlord is only entitled to increase rents once every six months. A more detailed discussion on rent controls will follow in a latter section.

Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges, must be made regardless of whether or not a property is producing sufficient income to service these expenses. Boardwalk REIT's properties are subject to mortgages, which require significant debt service payments. If the Trust were unable or unwilling to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or of sale. Real estate is relatively illiquid. Such illiquidity will tend to limit our ability to vary its portfolio promptly in response to changing economic or investment conditions. In addition, financial difficulties of other property owners resulting in distress sales may depress real estate values in the markets in which the Trust operates.

Multi-Family Residential Sector Risk: Income producing properties generate income through rent payments made by tenants of the properties. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to us than the existing lease. To mitigate this risk, the Trust does not have any one or small group of significant tenants. Each operating lease signed is for a period of twelve months or less. The Trust is dependent on leasing markets to ensure vacant residential space is leased, expiring leases are renewed and new tenants are found to fill vacancies. While it is not expected that markets will significantly change in the near future, a disruption in the economy could have a significant impact on how much space tenants will lease and the rental rates paid by tenants. This would affect the income produced by our properties as a result of downward pressure on rents.

Environmental Risks: As an owner and manager of real property, Boardwalk REIT is subject to various Canadian federal, provincial, and municipal laws relating to environmental matters. These laws could saddle us with liability for the costs of removal and remediation of certain hazardous substances or wastes released or deposited on or in its properties or disposed of at other locations. The failure to remove or remediate such substances, if any, could adversely affect Boardwalk's ability to sell its real estate, or to borrow using real estate as collateral, and could potentially also result in claims or other proceedings against Boardwalk REIT. Boardwalk REIT is not aware of any material non-compliance with environmental laws at any of its properties. The Trust is also not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of its properties or any material pending or threatened claims relating to environmental conditions at its properties. Boardwalk REIT has formal policies and procedures to review and monitor environmental exposure. The Trust has made, and will continue to make, the necessary capital expenditures for compliance with environmental laws and regulations. Environmental laws and regulations can change rapidly and may become subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have a material adverse effect on our business, financial condition or results of operation.

Ground Lease Risk: Five of our properties, located in Calgary, Edmonton, and three in Montreal, are subject to long-term ground leases and similar arrangements in which the underlying land is owned by a third party and leased to the Trust. Under the terms of a typical ground lease, the lessee must pay rent for the use of the land and is generally responsible for all costs and expenses associated with the building and improvements. Unless the lease term is extended, the land together with all improvements made will revert to the owner of the land upon the expiration of the lease term. These leases are set to expire between 2028 and 2096. The ground lease for the largest Montreal property, known as the Nun's Island portfolio is also subjected to a rent revision clause, which commences on December 1, 2008. It is phased in on a property-by-property basis through to 2015, and is based on 75% of the land value in its current use. After that revision, the land rent will remain constant thereafter through to 2064. An event of default by us under the terms of a ground lease could also result in a loss of the property subject to such ground lease should the default not be rectified in a reasonable period of time. The Trust is not aware of any default under the terms of the ground leases.

Competition Risk: Each segment of the real estate business is competitive. Numerous other residential developers and apartment owners, compete in seeking tenants. Although it is our strategy to own multi-family properties in premier locations in each market in which it operates, some of the apartments of our competitors may be newer, better located or better capitalized. The existence of alternative housing could have a material adverse effect on our ability to lease space in its properties and on the rents charged or concessions granted, and could adversely affect Boardwalk REIT's revenues and its ability to meet its obligations.

General Uninsured Losses: Boardwalk REIT carries comprehensive general liability, fire, flood, extended coverage and rental loss insurance with policy specifications, limits and deductibles customarily carried for similar properties. There are, however, certain types of risks (generally of a catastrophic nature such as war or environmental contamination), which are either uninsurable or not economically insurable. Boardwalk REIT currently has insurance for earthquake risks, subject to certain policy limits, deductibles and self- insurance arrangements, and will continue to carry such insurance if it is economical to do so. Should an uninsured or underinsured loss occur, Boardwalk REIT could lose its investment in, and anticipated profits and cash flows from, one or more of its properties, and would continue to be obligated to repay any recourse mortgage indebtedness on such properties.

Fluctuations of Cash Distributions: Although Boardwalk REIT intends to distribute its Distributable Income ("DI"), the actual amount of DI distributed in respect of the REIT Units will depend upon numerous factors, including, but not limited to, the amount of principal repayments, tenant allowances, leasing commissions, capital expenditures and REIT Unit redemptions and other factors that may be beyond the control of Boardwalk REIT. The distribution policy of Boardwalk REIT is established by the Trustees and is subject to change at the discretion of the Trustees. The recourse of Unitholders who disagree with any change in policy is limited and could require such Unitholders to seek to replace the Trustees. DI may exceed actual cash available to Boardwalk REIT from time to time because of items such as principal repayments, tenant allowances, leasing commissions, capital expenditures, and redemption of REIT Units, if any. Boardwalk REIT may be required to use part of its debt capacity or to reduce distributions in order to accommodate such items. Boardwalk REIT may temporarily fund such items, if necessary, through an operating line of credit in expectation of refinancing long-term debt on its maturity.

SPECIFIC RISKS

Credit Risk is the risk of loss due to failure of a contracted Customer to fulfill the obligation of required payments.

For us, the key credit risk involves the possibility that our Customers will be unable or unwilling to fulfill their lease term commitments. To mitigate this risk, Boardwalk REIT continues to diversify its portfolio to various major centers across Canada. Further, each of our rental units has its own individual

lease agreement, thus Boardwalk REIT has no material financial exposure to any particular Customer or group of Customers. The Trust continues to utilize extensive screening processes for all potential Customers including, but not limited to, detailed credit checks.

Market Risk is the risk that the Trust could be adversely affected ... e to market changes in product supply, interest rates and ... ional rent controls.

... rincipal exposures to market risk are in the areas of new ... nily housing supply, changes to rent controls, utility ... creases, property tax increases, higher interest rates ... tgage renewal risk.

Supply Risk is the risk that the Trust would be negatively affected ... v supply of, and demand for, multi-family residential ... its major market areas.

... ers of demand include employment levels, population ... demographic trends and consumer confidence. Any ... amount of new construction will typically result in ... alance in supply and cause downward price pressure ... No signs of significant new rental construction ... ently evident in any of our existing markets. Studies ... wn that in order to economically justify new rental ... ction in Boardwalk REIT's major markets, an increase in ... rental rates of hundreds of dollars will be necessary. ... in certain market areas such as Calgary, Alberta ... been a significant increase in the number of new ... miniums constructed over the past few years. Although ... normally are earmarked as owner-occupied properties, a ... number of these condominium units have been, or ... converted to rental stock.

RISK MANAGEMENT FOR SUPPLY

... ormance will always be affected by the supply and ... for multi-family rental real estate in Canada. The ... l for reduced rental revenue exists in the event that ... REIT is not able to maintain its properties at a ... l of occupancy, or in the event of a downturn in the ... which could result in lower rents or higher vacancy ... oardwalk REIT has minimized these risks by:

- Increasing Customer satisfaction;
- Diversifying its portfolio across Canada, particularly with the recent expansion into the eastern market, thus lowering its exposure to regional economic swings;
- Acquiring properties only in desirable locations, where vacancy rates for properties are higher than city-wide averages but can be reduced by repositioning the properties through better management and selective upgrades;
- Holding a balanced portfolio which includes a variety of multi-family building types including high-rise, townhouse, garden and walkups, each with its own market niche;
- Maintaining a wide variety of suite mix, including bachelor suites, one, two, three and four-bedroom units;
- Building a broad and varied Customer base, thereby avoiding economic dependence on larger-scale tenants;
- Focusing on affordable multi-family housing, which is considered a stable commodity;
- Developing a specific rental program characterized by rental adjustments that are the result of enhanced service and superior product; and
- Developing regional management teams with significant experience in the local marketplace, and combining this experience with our existing operations and management expertise.

Interest Risk is the combined risk that the Trust would experience a loss as a result of its exposure to a higher interest rate environment (Interest Rate Risk) and the possibility that at the term end of a mortgage the Trust would be unable to renew the maturing debt either with the existing or an additional lender (Renewal Risk).

The Trust manages its interest rate risk by maintaining a balanced maturing portfolio with no significant amount coming due in any one particular period. In addition, the majority of Boardwalk REIT's debt is insured with NHA insurance. This insurance allows us to increase the overall credit quality of the mortgage and, as such, enable the Trust to obtain preferential interest rates. The majority of our mortgage debt is financed for periods ranging between 5 and 10 years.

The use of NHA insurance also assists Boardwalk REIT in managing its renewal risk. Given the increased credit quality of such debt, the probability of the Trust being unable to renew the maturing debt or transfer this debt to another accredited lending institution is significantly reduced.

CREDIT RATINGS

Credit ratings are intended to provide investors with an independent measure of credit quality of an issue of securities. The credit ratings accorded to the Trust's unsecured debentures are not a recommendation to purchase, hold or sell the debentures inasmuch as such ratings do not comment as to market price or suitability for a particular investor. There is no assurance that these ratings will remain in effect for any given period of time or that these ratings will not be revised or withdrawn entirely by DBRS in the future if in its judgment circumstances are so warranted. Real or anticipated changes in

credit ratings on the debentures may affect the market value of the debentures. In addition, real or anticipated changes in credit ratings can affect the cost at which Boardwalk can access the debenture market.

STRUCTURAL SUBORDINATION OF DEBENTURES

Liabilities of a parent entity with assets held by various subsidiaries may result in the structural subordination of the lenders of the parent entity. The parent entity is entitled only to the residual equity of its subsidiaries after all debt obligations of its subsidiaries are discharged. In the event of a bankruptcy, liquidation or reorganization of the Trust, holders of indebtedness of the Trust (including holders of unsecured debentures) may become subordinate to lenders to the subsidiaries of the Trust.

Certain of the subsidiaries of the Trust will provide a form of guarantee pursuant to which the Indenture Trustee will, subject to the Trust Indenture, be entitled to seek redress from such subsidiaries for the guaranteed indebtedness. These guarantees are intended to eliminate structural subordination, which arises as a consequence of the Trust's assets being held in various subsidiaries. Although all subsidiaries, which own material assets, will provide a guarantee, not all subsidiaries of the Trust will provide such a guarantee. In addition, there can be no assurance that the Indenture Trustee will, or will be able to, effectively enforce the guarantee. See "Details of the Offering – Guarantee".

Rent Control Risk is the risk of the implementation or amendment of new or existing legislative rent controls in the markets Boardwalk REIT operates, which may have an adverse impact on the Trust's operations. The two newest markets for Boardwalk REIT are Ontario and Quebec, both of which currently have rent control legislation.

Under Ontario's rent control legislation, commonly known as "rent de-control", a landlord is entitled to increase the rent for existing tenants once every twelve months by no more than the "guideline amount" established by regulation. For the calendar years 2004 and 2005, the guideline amounts have been established at 2.9% and 1.5%, respectively. This adjustment is meant to take into account the income of the building and the municipal and school taxes, the insurance bills, the energy costs, maintenance and service costs. Landlords may apply to the Ontario Rental Housing Tribunal for an increase above the guideline amounts if annual costs for heat, hydro, water or municipal taxes have increased significantly or if building security costs have increased. When a unit is vacated, however, the landlord is entitled to lease the unit to a new tenant at any rental amount, after which annual increases are limited to the applicable guideline amount. The landlord may also be entitled to a greater increase in rent for a unit under certain circumstances, including, for example, where extra expenses have been incurred as a result of a renovation of that unit.

Under Quebec's rent control legislation, a landlord is entitled to increase the rent for existing tenants once a year for the rent period starting after April 1st of the current year but before April 1st of the following year. While there is no fixed rate increase specified by regulation, rent increases normally. Rent increases also take into account a return on capital expenditures (for 2004 this return is 4.1% compared to 4.9% for 2003), if such expenditures were incurred, and an indexing of the net income of the building. Average rent increase estimates for the period starting after April 1st, 2004 and before April 2nd, 2005, before any consideration for increases to municipal and school taxes and capital expenditures, are: 1.5% for electricity heated dwellings, 3.1% for gas heated dwellings, 3.0% for oil heated dwellings and 1.4% for non-heated dwellings.

Presently, rent control legislation does not exist in, and is not planned for, Alberta or Saskatchewan.

To manage this risk, prior to entering a market where rent controls are in place, an extensive amount of time is spent researching the existing rules and, where possible, the Trust will ensure it employs Associates who are experienced in working in these controlled environments. In addition, the Trust adjusts forecast assumption on new acquisitions to ensure they are reasonable given the rent control environment.

Utility and Property Tax Risk relates to the potential loss the Trust may experience as a result of higher resource prices and well as its exposure to significant increases in property taxes.

Over the past few years, property taxes have increased as a result of re-valuations of municipal properties and their adherent tax rates. For us, these re-valuations have resulted in significant increases in some property assessments due to enhancements, which are not represented on our balance sheet (as such representations are contrary to existing GAAP reporting standards). In 2004, property taxes for Calgary and Edmonton have increased significantly due to higher tax rates imposed. To address this risk, Boardwalk REIT has compiled a specialized team of property reviewers who, with the assistance of outside authorities, constantly review property tax assessments and, where warranted, appeal them.

Utility expenses, mainly consisting of natural gas and electricity service charges, have been subject to considerable price fluctuations over the past several years. Any significant increase in these resource costs that Boardwalk REIT cannot to pass on to the Customer may have a negative material impact on the Trust. To mitigate this risk, the Trust (and its predecessor) has begun to play a more active role in controlling the fluctuation and predictability of this risk. Through the combined use of financial instruments and resource contracts

with varying maturity dates, exposure to these fluctuations has been reduced. In addition to this, the following steps have been implemented:

- Where possible, economical electrical sub-metering devices are being installed, passing on the responsibility for electricity charges to the end Customer.
- In other cases, rents have been, or will be, adjusted upward to cover these increased costs.

Operational Risk is the risk that a direct or indirect loss may result from an inadequate or failed technology, from a human process or from external events. The impact of this loss may be financial loss, loss of reputation or legal and regulatory proceedings.

The Trust endeavors to minimize losses in this area by ensuring that effective infrastructure and controls exist. These controls are constantly reviewed and improvements are implemented, if deemed necessary.

OUTSTANDING TRUST UNIT DATA

Boardwalk REIT has one class of voting securities known as "REIT Units". As at December 31, 2004, there were 48,632,567 REIT units issued and outstanding. In addition, there are currently 4,475,000 special voting units issued to holders of Boardwalk REIT Limited Partnership Class B units ("LP B Units"). Each LP B Unit is exchangeable for REIT units on a one-for-one basis at the option of the holder. Each LP B Unit entitles the holder to one vote at any meeting of Unitholders. Accordingly, if all of the LP B Units were exchanged for REIT units, the total issued and outstanding REIT units would be 53,107,567.

Critical Accounting Policies

Boardwalk REIT's accounting policies are described in Note 2 to the audited consolidated financial statements for the years ended December 31, 2004 and 2003. These statements were prepared in accordance with the recommendations of the handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook") and with the recommendations of the Canadian Institute of Public and Private Real Estate Companies ("CIPPREC"). In applying these policies, in certain cases it is necessary to use estimates. In determining estimates, management uses the information available to the Trust at the time. Management reviews key estimates on a quarterly basis to determine their appropriateness. Any change to these estimates is applied prospectively in compliance with Canadian generally accepted accounting principles. Boardwalk REIT considers the following policies to be critical in determining the judgments that are involved in the preparation of the consolidated financial statements and the uncertainties that could affect the reported results.

AMORTIZATION OF BUILDING ASSET

We are required to assess the useful economic lives of our income-producing properties for purposes of determining the amount of building amortization to record on a quarterly and annual basis. The Canadian Institute of Chartered Accountants ("CICA") adopted recommendations that effectively disallow the use of the sinking fund method of amortization, which was used by us prior to January 1, 2004 in amortizing the cost of our buildings. This standard is prospective in application and, commencing January 1, 2004, we changed our method of depreciating our building costs to the straight-line method over their estimated useful lives of between 30 and 50 years. The adoption of this standard increased our building amortization compared to the amount that otherwise would have been computed using the sinking fund method by approximately $19.3 million for the year ended December 31, 2004, with a corresponding decrease to the net carrying amount of our income-producing properties. The impact on net earnings was an estimated decrease of $19.3 million, with a corresponding decrease to Unitholders' equity. Our determination of the estimated useful economic lives of our buildings, and the salvage values, could vary under differing circumstances and result in a significantly different amount for building amortization. The amount of building amortization has a direct impact on our net earnings. The change in policy has been applied prospectively.

NET RECOVERABLE AMOUNT

We continually evaluate the recoverability of the net carrying amount of our income-producing properties and properties under development. The CICA accounting standard for impairment of long-lived assets is prospective in application and requires us to record an impairment loss when the carrying amount of these real estate investments exceeds the sum of the undiscounted cash flows expected from their use and eventual disposal. Commencing January 1, 2004, any impairment we recognize should be measured as the amount by which the carrying amount of the asset exceeds its fair value. Prior to January 1, 2004, we measured any impairment of our real estate investments as the amount by which the asset's carrying value exceeded the undiscounted future cash flow from the use and eventual disposal of the asset. We have determined that the impact of this new impairment standard did not have a material impact on our financial position or results of operations. In making this determination, our estimates of future cash flow and the effects of other factors could vary and result in a significantly different assessment of impairment.

ACCOUNTING FOR OPERATING LEASES

In accordance with CICA Handbook EIC-140, "Accounting for Operating Leases Acquired in Either an Asset Acquisition or a Business Combination", an enterprise that acquires real estate, such as an office building, retail centre, or apartment complex in either an asset acquisition or business combination, should allocate a portion of the purchase price to in-place operating leases that the enterprise acquires in connection with the real estate property. Application of EIC-140 has been applied prospectively by Boardwalk REIT to real estate acquisitions initiated subsequent to the effective date of the EIC. For the year ended December 31, 2004, approximately $1.4 million of the corresponding purchase price was allocated to in-place operating leases. As this EIC was applied prospectively, beginning January 1, 2004, there is no comparable allocation for the prior year.

STANDARDIZED WAGE COSTS

On a quarterly basis, Boardwalk REIT estimates the amount of time its on-site maintenance Associates spend working on capital projects. The assumptions used in making the estimates and any changes made are treated prospectively.

ALLOCATION OF PURCHASE PRICE OF REVENUE PRODUCING PROPERTIES

With all new property acquisitions, the Trust is required to make estimates as to the allocation of the recorded purchase price to both tangible and intangible assets, as was noted above in Accounting for operating leases. Such allocation requires management to make estimates and assumptions regarding the depreciated replacement cost of the building and existing improvements, market values for new land, market rental rates, the length of time it would take to achieve the occupancy level of the acquired property, had it been acquired vacant, and leased up by the Trust, the cost of executing comparable leases to those acquired with the property, and the probability of renewing existing tenancies at their expiry, as well as the cost of doing so as compared to installing a new tenant.

EXCHANGEABLE SECURITIES ISSUED BY SUBSIDIARIES OF INCOME TRUSTS (EIC-151)

In accordance with CICA Handbook EIC-151, "Exchangeable Securities Issued by Subsidiaries of Income Trusts", issued in January of 2005 effective for all financial statements filed subsequent to issuance, an Income Trust that has subsidiaries that issues exchangeable securities must evaluate the appropriate disclosure and measurement of these exchangeable securities. EIC 151 outlines three possible solutions, the first is that exchangeable securities have all the characteristics of debt and should be reported accordingly, the second is that the securities should be considered as minority interest and treated as a separate category neither equity or debt, and the final solution is that the securities should be classified as equity. Although the CICA to date has not issued more detailed guidance on this issue we have reviewed in detail the available information on EIC 151 and have determined that in the case of Boardwalk the exchangeable units "B units" meet all the characteristics of being classified as equity and have been reported as such.

Future Objectives

The following chart highlights Boardwalk's 2005 financial objectives.

	2005 Objectives	2004 Actuals
FFO Rental Operations	$1.42 to $1.49	$1.43
Distributable Income	$1.46 to $1.53	$1.49
New Unit Acquisitions	1,000 to 2,000	917
Stabilized Buildings NOI growth	1.0% to 2.0%	0.3%

Selected Consolidated Financial Information

The following selected financial information should be read in conjunction with "Management's Discussion and Analysis", the audited consolidated financial statements and accompanying notes for the years ended December 31, 2004 and 2003, and the unaudited interim consolidated financial statements of Boardwalk REIT and its predecessor and accompanying notes both incorporated herein by reference.

The statement of net income information and balance sheet information set forth in the following tables has been derived from the audited consolidated financial statements referred to above and the unaudited consolidated financial statements of the Corporation and the Trust for various quarterly interim periods.

ANNUAL COMPARATIVE	Twelve Months Ended				Seven Months Ended	Twelve Months Ended
In 000's , except per unit amounts	**Dec. 31, 2004**	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2001	Dec. 31, 2000	May 31, 2000
Total revenue	**282,510**	270,992	249,394	227,269	147,082	217,971
Net earnings (loss)	**4,779**	7,751	11,576	(12,802)	15,565	10,445
Funds from operations (1)	**75,520**	70,607	63,052	57,941	34,314	53,593
Net earnings (loss) per unit						
- Basic	**0.09**	0.15	0.23	(0.26)	0.32	0.21
- Diluted	**0.09**	0.15	0.23	(0.26)	0.31	0.21
Funds from operations per unit						
- Basic	**1.43**	1.40	1.27	1.16	0.70	1.09
- Diluted	**1.43**	1.39	1.26	1.15	0.69	1.09
Mortgage payable	**1,414,122**	1,387,067	1,307,177	1,108,406	1,034,444	1,009,526
Total assets	**1,809,319**	1,803,380	1,708,490	1,489,291	1,443,834	1,398,028
No. of apartment units	**32,159**	31,239	29,326	25,889	24,856	25,070
Rentable square feet (000)	**27,026**	26,353	24,970	21,590	20,721	20,762

QUARTERLY COMPARATIVE	Three Months Ended							
In 000's, except per unit amounts	**Dec 31, 2004**	**Sep 30, 2004**	**Jun 30, 2004**	**Mar 31, 2004**	Dec 31, 2003	Sep 30, 2003	Jun 30, 2003	Mar 31, 2003
Total revenue	**71,845**	**70,800**	**70,040**	**69,825**	69,893	68,717	66,675	65,707
Net earnings (loss)	**(890)**	**4,481**	**2,415**	**(1,227)**	(1,467)	5,145	2,555	1,518
Funds from operations (1)	**17,735**	**22,675**	**18,622**	**16,488**	18,301	19,732	17,082	15,492
Net earnings (loss) per unit								
- Basic	**(0.02)**	**0.08**	**0.05**	**(0.02)**	(0.03)	0.10	0.05	0.03
- Diluted	**(0.02)**	**0.08**	**0.05**	**(0.02)**	(0.03)	0.10	0.05	0.03
Funds from operations per unit								
- Basic	**0.33**	**0.43**	**0.35**	**0.32**	0.32	0.36	0.34	0.31
- Diluted	**0.33**	**0.43**	**0.35**	**0.32**	0.32	0.36	0.34	0.31

Note:

(1) Prior to changes in non-cash working capital and properties held for resale.

Additional information relating to Boardwalk Equities Inc. and Boardwalk REIT, including the Annual Information Form of Boardwalk REIT, is available on SEDAR at www.sedar.com.

Respectfully,

Roberto A. Geremia
Senior Vice President, Finance and Chief Financial Officer

MANAGEMENT'S REPORT

To the Unitholders of Boardwalk Real Estate Investment Trust

The accompanying consolidated financial statements and all information in the Annual Report are the responsibility of management. The consolidated financial statements have been prepared by management in accordance with the accounting policies in the notes to the consolidated financial statements. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality, and are in accordance with Canadian generally accepted accounting principles appropriate in the circumstances. The financial information elsewhere in the Annual Report has been reviewed to ensure consistency with that in the consolidated financial statements.

Management maintains appropriate systems of internal control. Policies and procedures are designed to give reasonable assurance that transactions are properly authorized, assets are safeguarded and financial records properly maintained to provide reliable information for the preparation of consolidated financial statements.

The consolidated financial statements have been further examined by the Board of Trustees and by its audit committee which meets regularly with the auditors and management to review the activities of each. The audit committee, which comprises of three independent directors, reports to the Board of Trustees.

Deloitte & Touche LLP, an independent firm of chartered accountants, has been engaged to audit the consolidated financial statements in accordance with Canadian generally accepted auditing standards and provide an independent auditors' opinion.

Sam Kolias
President and Chief Executive Officer

Roberto A. Geremia
Senior Vice President, Finance
and Chief Financial Officer

AUDITORS' REPORT

To the Unitholders of Boardwalk Real Estate Investment Trust

We have audited the consolidated balance sheets of Boardwalk Real Estate Investment Trust ("Boardwalk REIT" or the "Trust") as at December 31, 2004 and 2003, and the consolidated statements of earnings, accumulated earnings and cash flows for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2004 and 2003, and the results of its operations and its cash flows for the years ended December 31, 2004 and 2003 in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Calgary, Alberta

February 14, 2005

CONSOLIDATED BALANCE SHEETS

(Cdn$ Thousands)

As at December 31,	2004	2003
ASSETS		
Revenue producing properties (NOTE 4)	$ 1,733,026	$ 1,713,171
Properties held for resale	7,906	7,493
Deferred financing costs	39,056	38,044
Other assets (NOTE 7)	14,125	14,652
Future income taxes (NOTE 12)	547	–
Mortgages and accounts receivable (NOTE 6)	8,019	13,126
Segregated tenants' security deposits	6,460	6,771
Cash and cash equivalents	–	10,123
	$ 1,809,139	$ 1,803,380
LIABILITIES		
Mortgages payable (NOTE 9)	$ 1,414,122	$ 1,387,067
Accounts payable and accrued liabilities	27,151	19,801
Refundable tenants' security deposits and other	9,543	9,730
Capital lease obligations (NOTE 8)	84	3,515
Future income taxes (NOTE 12)	–	74,765
Bank Indebtedness	2,723	–
	$ 1,453,623	$ 1,494,878
UNITHOLDERS' EQUITY		
Unitholders' capital (NOTE 10)	293,503	275,509
Accumulated earnings	62,013	32,993
	$ 355,516	$ 308,502
	$ 1,809,139	$ 1,803,380

See accompanying notes to the consolidated financial statements

On behalf of the Trust:

Sam Kolias
Trustee

David V. Richards
Trustee

CONSOLIDATED STATEMENTS OF EARNINGS

Information for the YEAR ended DECEMBER 31, 2004 combines information from boardwalk real estate investment trust and its predecessor (notes 2 and 3)

(Cdn$ Thousands, except per UNIT amounts)

Year ended December 31,	2004	2003
	NOTES 2 and 3	
REVENUE		
Rental income	$ 282,510	$ 270,992
EXPENSES		
Revenue producing properties:		
Operating expenses	35,364	33,819
Utilities	38,493	34,736
Utility rebate (NOTE 2 (g) (iii))	(1,304)	–
Property taxes	29,930	26,217
Administration	23,460	23,290
Financing costs	76,289	76,630
Deferred financing costs amortization	3,138	3,227
Amortization of capital assets (NOTE 2)	72,439	50,766
	277,809	248,685
Earnings (loss) from continuing operations before income taxes	4,701	22,307
Large corporations taxes	1,620	3,546
Future income taxes (recovery) (NOTE 12)	(1,698)	11,761
Earnings (loss) from continuing operations	4,779	7,000
Earnings from discontinued operations, net of tax	–	751
Net earnings (loss)	$ 4,779	$ 7,751
Basic earnings (loss) per unit (NOTE 11)		
– from continuing operations	$ 0.09	$ 0.14
– from discontinued operations	–	0.01
Basic earnings (loss) per unit	$ 0.09	$ 0.15
Diluted earnings (loss) per unit (NOTE 11)		
– from continuing operations	$ 0.09	$ 0.14
– from discontinued operations	–	0.01
Diluted earnings (loss) per unit	$ 0.09	$ 0.15

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF ACCUMULATED EARNINGS

(Cdn$ Thousands, except per UNIT amounts)

Year ended December 31,	2004	2003
Accumulated earnings, beginning of period	$ 32,993	$ 35,229
Net earnings (loss)	4,779	7,751
Distributions on units	(47,915)	(9,595)
Premium on unit repurchases (stock repurchases before May 3, 2004)	(1,397)	(392)
Elimination of future income taxes on conversion to trust (NOTE 2)	73,553	–
Accumulated earnings, end of period	$ 62,013	$ 32,993

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

Information for the YEAR ended DECEMBER 31, 2004 combines information from boardwalk real estate investment trust and its predecessor (notes 2 and 3)

(Cdn$ Thousands, except per UNIT amounts)

Year ended December 31,	2004	2003
	NOTES 2 and 3	
Operating activities		
Net earnings (loss)	$ 4,779	$ 7,751
Earnings from discontinued operations, net of tax	–	(751)
Future income taxes (recovery)	(1,698)	11,761
Amortization of capital assets	72,439	50,766
Funds from continuing operations	75,520	69,527
Funds from discontinued operations	–	33
Net change in operating working capital	7,512	(489)
Net change in properties held for resale	(413)	1,442
Total operating cash flows	82,619	70,513
Financing activities		
Issue of trust units (net of issue costs) (NOTE 10)	28,934	9,229
Restructuring costs	(10,174)	–
Unit repurchase program (stock repurchase program before May 3, 2004)	(2,163)	(628)
Distributions paid	(42,333)	(9,595)
Financing of revenue producing properties	138,241	177,208
Repayment of debt on revenue producing properties	(131,523)	(138,292)
Capital lease obligations	(3,431)	(1,083)
Deferred financing costs incurred (net of amortization)	(1,488)	(3,342)
	(23,937)	33,497
Investing activities		
Purchases of revenue producing properties (NOTE 4)	(40,212)	(68,831)
Project improvements to revenue producing properties	(30,492)	(49,047)
Net cash proceeds from sale of properties	–	1,223
Technology for real estate operations	(824)	(863)
	(71,528)	(117,518)
Net increase (decrease) in cash and cash equivalents balance	(12,846)	(13,508)
Cash and cash equivalents, beginning of period	10,123	23,631
Cash and cash equivalents (bank indebtedness), end of period	$ (2,723)	$ 10,123
Supplementary cash flow information:		
Taxes paid (received)	$ 1,150	$ 3,399
Interest paid	$ 76,300	$ 76,468

See accompanying notes to the consolidated financial statements

NOTE 1

ORGANIZATION OF TRUST

Boardwalk Real Estate Investment Trust ("Boardwalk REIT" or the "Trust") is an unincorporated, open-ended real estate investment trust created pursuant to the Declaration of Trust, dated January 9, 2004 and as amended and restated on May 3, 2004, under the laws of the Province of Alberta. Boardwalk REIT was created to invest in revenue producing multi-family residential properties or interests within Canada, initially through the acquisition of operations of Boardwalk Equities Inc. (the "Corporation"), which was acquired on May 3, 2004.

NOTE 2

SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

These consolidated financial statements have been prepared in accordance with the recommendations of the handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook").

Boardwalk REIT is considered to be a continuation of Boardwalk Equities Inc. following the continuity of interest method of accounting. Under the continuity of interest method of accounting, Boardwalk REIT's acquisition of the operations of Boardwalk Equities Inc. is recorded at the net book value of the Corporation's assets and liabilities on May 3, 2004 and the unitholders' capital to Boardwalk REIT represents the shareholders' equity of the Corporation at that date. Future income tax liabilities in the amount of $73.6 million were eliminated, except the portion related to tax and accounting base differences in corporate subsidiaries of Boardwalk REIT.

The statements of earnings and cash flows for the year ended December 31, 2004 reflect the activities of Boardwalk Equities Inc. for the period from January 1, 2004 to May 2, 2004 combined with the activities of Boardwalk REIT for the period from May 3, 2004 to December 31, 2004 (see Note 3). The comparative figures represent the activities of Boardwalk Equities Inc.

The preparation of financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and to make disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

(b) Principles of consolidation

The consolidated financial statements include the accounts of Boardwalk REIT and its wholly-owned subsidiaries, as well as entities over which it exercises control. All inter-company transactions have been eliminated.

(c) Revenue recognition

i. Revenue from a rental property is recognized once the Trust has attained substantially all of the benefits and risks of ownership of the rental property. Rental revenue includes rents, parking and other sundry revenues. All residential leases are for one-year terms or less; consequently, the Trust accounts for leases with its tenants as operating leases.

ii. Revenue from the sales of property held for resale is recognized when all conditions of the purchase and sale agreement have been met, a sufficient purchaser deposit (usually 15%) has been received and there is reasonable assurance on the collectibility of any outstanding amount.

(d) Real estate properties

i. Revenue producing properties

Revenue producing real estate properties, which are held for investment, are stated at the lower of cost less accumulated amortization or "net recoverable amount". Cost includes all amounts relating to the acquisition and improvement of the properties. All costs associated with upgrading the existing facilities, other than ordinary repairs and maintenance, are capitalized and amortized as project improvements.

Effective January 1, 2003, the provisions of CICA Handbook Section 3063, Impairment of Long-lived Assets, was adopted. With the adoption of this section, an impairment loss will be recognized in the period when the carrying amount of the revenue producing properties exceeds the net recoverable amount represented by the undiscounted estimated future cash flows expected to be received from the ongoing use of the properties plus their residual value. If it is determined that an impairment exists, the carrying value of the revenue producing properties will be reduced to their estimated fair value. The adoption of this section has had no impact on the financial statements of the current and prior periods.

In accordance with CICA Handbook EIC-140, Accounting for Operating Leases Acquired in Either an Asset Acquisition or a Business Combination, an enterprise that acquires real estate, such as an office building, retail centre, or apartment complex in either an asset acquisition or business combination, should allocate a portion of the purchase price to in-place operating leases that the enterprise acquires in connection with the real estate property. Application of EIC-140 has been applied prospectively to real estate acquisitions initiated subsequent to the date of issue of EIC-140. In accordance with CICA Handbook EIC-137, Recognition of Customer Relationship Intangible Assets Acquired in a Business Combination, an enterprise should also allocate a portion of the purchase price to a separate customer relationship intangible asset relating to the possibility or probability that existing tenants will renew their leases. Application of EIC-137 has been applied prospectively to real estate acquisitions initiated subsequent to the date of issue of EIC-137.

ii. Properties held for resale

The Trust capitalizes all direct costs, net of related revenue. Direct costs include property taxes, administration costs, finance costs and other costs associated with the cost of property held for resale. Real estate properties held for resale are recorded at the lower of cost or net realizable value.

(e) Amortization of capital assets

Revenue producing real estate properties are amortized over the estimated useful lives of the assets. Effective January 1, 2004, the straight-line method was adopted to compute amortization of its revenue producing buildings over periods ranging from 30 to 50 years. The adoption of the straight-line method from the sinking-fund method has been applied prospectively in accordance with the transitional provision of CICA Handbook Section 1100. Had the change not been made, the effect on the financial statements would have been a decrease to amortization by $19.3 million and an increase to net earnings by approximately $19.3 million for the year ended December 31, 2004. Non-building assets are amortized using the declining-balance method at rates ranging from 8% to 35%.

Estimated useful lives of buildings and non-building assets are periodically evaluated by management and any changes in these estimates are accounted for on a prospective basis.

(f) Deferred financing costs

Insurance premiums paid to Canada Mortgage and Housing Corporation ("CMHC") to obtain insurance through the National Housing Act ("NHA") are amortized on a straight-line basis over the amortization period of the mortgage loans. Upon the refinancing of a mortgage, any unamortized insurance premium associated with the previous mortgage is written off to income. Costs of refinancing are amortized on a straight-line basis over the term of the new loan.

(g) Risk management and fair value

Risk management

The Trust is exposed to financial risk that arises from the fluctuation in interest rates, the credit quality of its tenants, and the fluctuation in utility rates. These risks are managed as follows:

i. Interest rate risk

Interest rate risk is minimized through the Trust's current strategy of having the majority of its mortgages payable in fixed term arrangements. In addition, management is constantly reviewing its operating facility and, if market conditions warrant, the Trust has the ability to convert its existing demand debt to fixed rate debt. The Trust had demand debt outstanding of $nil at December 31, 2004 (December 31, 2003 - $nil). In addition, the Trust structures its financings so as to stagger the maturities of its debt, thereby minimizing the Trust's exposure to interest rate fluctuations.

The majority of the Trust's mortgages are insured by CMHC under the NHA mortgage program. This added level of insurance offered to lenders allow the Trust to receive the best possible financing and interest rates, and significantly reduces the potential for a lender to call a loan prematurely.

ii. Credit risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease term commitments. The Trust mitigates this risk of credit loss through the diversification of its existing portfolio and limiting its exposure to any one tenant. Thorough credit assessments are conducted in respect of all new leasing arrangements. In addition, where legislation allows, the Trust obtains a security deposit to assist in a potential recovery requirement.

iii. Utilities

At December 31, 2004, the Trust had long-term supply arrangements with two electrical utility companies to supply the Trust with its electrical power needs for Alberta for the next twelve to twenty-four months at a blended rate of approximately $0.066/kwh. These agreements provide that the Trust purchase its power for all Alberta properties under contract for the upcoming months.

The Trust also has a physical settlement fixed-price supply contract for Alberta natural gas requirements. This contract fixes the price of natural gas for 37.5% of the Trust's requirements in Alberta. The contract is for physical settlement, runs from October 1, 2003 to September 30, 2005, and provides the commodity at a price of $6.16/GJ.

In Saskatchewan, the Trust has a physical supply agreement to supply 100% of the Trust's natural gas requirements for that province. The agreement extends until October 31, 2005 at a fixed price of $5.20/GJ.

In Eastern Canada, Boardwalk REIT has procured approximately 37% of its gas usage requirements under a physical fixed-price supply contract until August 2005, priced near $6.00/GJ.

While the above utility contracts for both electrical power and natural gas reduce the risk of exposure to adverse changes in commodity prices, they also reduce the potential benefits of favourable changes in commodity prices. For accounting purposes, all settlements are recorded as utility expense in the period the settlement occurs.

Beginning in November 2003, the Alberta government implemented a natural gas rebate program covering the winter usage months of November through March. This program will be in effect for a remaining fifteen-month term ending March 31, 2006. The rebate program becomes active when the natural gas consumer price exceeds $5.50/GJ for any individual winter usage month. There was no rebate for November and December 2003. For January to March 2004, Boardwalk REIT's predecessor was eligible for rebates totalling approximately $0.8 million. For November and December 2004, Boardwalk REIT was eligible for estimated rebates totalling approximately $0.5 million.

Fair Value

In accordance with the disclosure requirements of the CICA Handbook, Boardwalk REIT is required to disclose certain information concerning its "financial instruments", defined as a contractual right to receive or deliver cash or another financial asset. The fair values of the majority of the Trust's financial assets and liabilities, representing net working capital, approximate their recorded values at December 31, 2004 and 2003 due to their short-term nature. In these circumstances, the fair value is determined to be the market or exchange value of the assets or liabilities.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect estimates. The significant financial instruments of Boardwalk REIT and their carrying values as of December 31, 2004 and 2003 are as follows:

As at December 31,	2004	2003
Mortgages and accounts receivable		
Carrying value	$ 8,019	$ 13,126
Fair market value	$ 8,019	$ 13,126
Mortgages payable		
Carrying value	$ 1,414,122	$ 1,387,067
Fair market value	$ 1,478,627	$ 1,439,926

The fair value of the Trust's mortgages payable exceeds the recorded value by approximately $64.5 million at December 31, 2004 (December 31, 2003 - $52.9 million) due to changes in interest rates since the dates on which the individual mortgages were assumed. The fair value of the mortgages payable has been estimated based on the current market rates for mortgages with similar terms and conditions. The fair value of the Trust's mortgages payable is an amount computed based on the interest rate environment prevailing at December 31, 2004 and 2003, respectively; the amount is subject to change and the future amounts will converge. There are no additional costs to Boardwalk REIT, assuming no early extinguishment of existing debt is delivered upon.

(h) Use of estimates

The accounting process requires that management make, and periodically review, a number of estimates including the following material items:

i. economic useful life of buildings for purposes of calculating amortization as disclosed in Note 2 (e);

ii. forecast of economic indicators in order to measure fair values of buildings for purposes of determining net recoverable amount under Canadian generally accepted accounting principles as discussed in Note 2 (d);

iii. amount of capitalized on-site wages which relate to project improvements, as discussed in Note 4; and

iv. amount of utility accrual for charges related to the current period.

Actual results may differ from these estimates.

(i) Cash and cash equivalents

Boardwalk REIT considers highly liquid investments with an original maturity of three months or less to be cash equivalents.

(j) Stock-based compensation plans (before May 3, 2004)

Effective January 1, 2003, Boardwalk REIT changed its accounting policy for stock options granted on or after that date to reflect the adoption of the revised CICA Handbook Section 3870. Under the new policy, the fair value of stock options is determined, using an accepted option-pricing model, on their grant date and recognizes this amount as compensation expense over the period the stock options vest, with a corresponding increase to contributed surplus in shareholders' equity. The new accounting policy has been applied prospectively in accordance with the transitional provision of Section 3870.

Previously under the intrinsic value method policy, no compensation expense was recorded for stock options granted to directors, executives and employees in the consolidated financial statements because there was no intrinsic value at the date of grant. Note 10 discloses the pro forma amounts to net earnings and net earnings per unit for the years ended December 31, 2004 and 2003 had the impact of compensation costs using the fair value method been applied effective January 1, 2002.

No stock or unit options were granted subsequent to December 31, 2002.

(k) Disposal of long-lived assets

Effective January 1, 2003, CICA Handbook Section 3475, Disposal of Long-Lived Assets and Discontinued Operations, was adopted for disposals on or after January 1, 2003. The recommendations of this section requires disposal of long-lived assets be classified as held for sale, and the results of operations and cash flows associated with the assets disposed be reported separately as discontinued operations, less applicable income taxes. A long-lived asset is classified as an asset held for sale at the point in time when it is available for immediate sale, management has committed to a plan to sell the asset and is actively locating a buyer for the asset at a sales price that is reasonable in relation to the current fair value of the asset, and the sale is probable and expected to be completed within a one-year period. For unsolicited interest in a long-lived asset, the asset is classified as held for sale only if all the conditions of the purchase and sale agreement have been met, a sufficient purchaser deposit has been received and the sale is probable and expected to be completed shortly after the end of the current period. The impact of adopting the new recommendations for disposals of long-lived assets on or after January 1, 2003 is disclosed in Note 5.

(l) Disclosure of guarantees

Effective January 1, 2003, CICA Handbook Accounting Guideline 14 (AcG-14), Disclosure of Guarantees, was adopted. This guideline provides assistance regarding the identification of guarantees and requires a guarantor to disclose the significant details of guarantees that have been given, regardless of whether it will have to make payments under the guarantees. Please refer to Note 15 for further disclosure on the Trust's guarantees.

(m) Comparative figures

Certain comparative figures have been reclassified to conform to the presentation of the current period, or as a result of accounting changes.

NOTE 3

RESULTS OF BOARDWALK REIT AND BOARDWALK EQUITIES INC.

The following statements of earnings and cash flows reflect the activities of Boardwalk REIT for year ended December 31, 2004, separated to show the results of Boardwalk Equities Inc. prior to May 3, 2004 and the results of Boardwalk REIT subsequent to May 2, 2004.

Statement of Earnings	Jan. 1, 2004 to May 2, 2004	May 3, 2004 to Dec. 31, 2004	Year ended Dec. 31, 2004
REVENUE			
Rental income	$ 93,108	$ 189,402	**$ 282,510**
EXPENSES			
Revenue producing properties:			
Operating expenses	11,429	23,935	**35,364**
Utilities	15,965	22,528	**38,493**
Utility rebate	(812)	(492)	**(1,304)**
Property taxes	9,000	20,930	**29,930**
Administration	7,720	15,740	**23,460**
Financing costs	24,856	51,433	**76,289**
Deferred financing costs amortization	1,051	2,087	**3,138**
Amortization of capital assets	23,273	49,166	**72,439**
	92,482	185,327	**277,809**
Earnings from continuing operations before income taxes	626	4,075	**4,701**
Large corporations taxes	1,032	588	**1,620**
Future income tax recovery	(1,291)	(407)	**(1,698)**
Earnings from continuing operations	885	3,894	**4,779**
Earnings from discontinued operations, net of tax	–	–	**–**
Net earnings for the period	$ 885	$ 3,894	**$ 4,779**
Basic earnings per unit			
- from continuing operations	$ 0.02	$ 0.07	**$ 0.09**
- from discontinued operations	–	–	**–**
Basic earnings per unit	$ 0.02	$ 0.07	**$ 0.09**
Diluted earnings per unit			
- from continuing operations	$ 0.02	$ 0.07	**$ 0.09**
- from discontinued operations	–	–	**–**
Diluted earnings per unit	$ 0.02	$ 0.07	**$ 0.09**

Statement of Cash Flows	Jan. 1, 2004 to May 2, 2004	May 3, 2004 to Dec. 31, 2004	Year ended Dec. 31, 2004
Operating activities			
Net earnings for the period	$ 885	$ 3,894	$ 4,779
Future income tax recovery	(1,291)	(407)	(1,698)
Amortization of capital assets	23,273	49,166	72,439
Funds from continuing operations	22,867	52,653	75,520
Net change in operating working capital	4,075	3,437	7,512
Net change in properties held for resale	(141)	(272)	(413)
Total operating cash flows	26,801	55,818	82,619
Financing activities			
Issue of trust units (net of issue costs)	28,372	562	28,934
Restructuring costs	(8,500)	(1,674)	(10,174)
Unit repurchase program (stock repurchase program before May 3, 2004)	–	(2,163)	(2,163)
Distributions paid	(3,938)	(38,395)	(42,333)
Financing of revenue producing properties	47,718	90,523	138,241
Repayment of debt on revenue producing properties	(47,414)	(84,109)	(131,523)
Capital lease obligations	(407)	(3,024)	(3,431)
Deferred financing costs incurred (net of amortization)	(1,969)	481	(1,488)
	13,862	(37,799)	(23,937)
Investing activities			
Purchases of revenue producing properties	(9,174)	(31,038)	(40,212)
Project improvements to revenue producing properties	(7,303)	(23,189)	(30,492)
Technology for real estate operations	(461)	(363)	(824)
	(16,938)	(54,590)	(71,528)
Net increase (decrease) in cash and cash equivalents	$ 23,725	$ (36,571)	$ (12,846)

NOTE 4

REVENUE PRODUCING PROPERTIES

As at December 31,	2004	2003
Land	**$ 125,231**	$ 113,568
Building and non-building assets	**1,912,284**	1,834,724
Total revenue producing properties	**2,037,515**	1,948,292
Less: accumulated amortization	**(304,489)**	(235,121)
	$ 1,733,026	$ 1,713,171

Acquisitions	Jan. 1, 2004 to May 2, 2004	May 3, 2004 to Dec. 31, 2004	Year ended Dec. 31, 2004	Year ended Dec. 31, 2003
Cash paid	$ 9,174	$ 31,038	$ 40,212	$ 68,831
Debt assumed	7,912	12,425	20,337	38,834
Total purchase price	17,086	43,463	60,549	107,665
Fair value adjustments to debt	560	831	1,391	2,137
Book value	$ 17,646	$ 44,294	$ 61,940	$ 109,802
Allocation of book value to revenue producing properties	$ 16,910	$ 42,549	$ 59,459	$ 109,802
Allocation of book value to other assets (NOTE 2 (d) (i))	736	1,745	2,481	–
	$ 17,646	$ 44,294	$ 61,940	$ 109,802
Units acquired	183	734	917	1,956

Dispositions	Jan. 1, 2004 to May 2, 2004	May 3, 2004 to Dec. 31, 2004	**Year ended Dec. 31, 2004**	Year ended Dec. 31, 2003
Cash received	$ -	$ -	$ -	$ 1,385
Debt assumed	-	-	-	1,655
Total proceeds	-	-	-	3,040
Net book value	-	-	-	1,993
Gain on sales	$ -	$ -	$ -	$ 1,047
Units sold	-	-	-	40

Included in revenue producing properties is capitalized wages of $4.3 million for the year ended December 31, 2004 (December 31, 2003 - $5.1 million). Included in the cost of properties held for resale are capitalized financing and property tax costs of $0.4 million for the year ended December 31, 2004 less net operating revenue of $nil (December 31, 2003 - $0.4 million less net operating revenue of $nil). Real estate assets are pledged as security against mortgages payable.

NOTE 5

DISPOSAL OF LONG-LIVED ASSETS AND DISCONTINUED OPERATIONS

During the first quarter of 2003, a $3.0 million unsolicited offer was received to purchase a 40-unit property located in Edmonton, Alberta. The sale was completed by the end of the first quarter of 2003. There were no dispositions in the year 2004. Note 4 discloses the carrying amounts of the major assets and liabilities included in the disposition. The following table sets forth the results of operations associated with the long-lived asset, separately reported as discontinued operations.

	Jan. 1, 2004 to May 2, 2004	May 3, 2004 to Dec. 31, 2004	**Year ended Dec. 31, 2004**	Year ended Dec. 31, 2003
Revenue				
Rental income	$ –	$ –	$ –	$ 86
Expenses				
Revenue producing properties:				
Operating expenses	-	-	-	4
Utilities	-	-	-	17
Property taxes	-	-	-	6
Administration	-	-	-	2
Financing costs	-	-	-	24
	-	-	-	53
Operating earnings from discontinued operations before income taxes	-	-	-	33
Future income taxes	-	-	-	12
Operating earnings from discontinued operations	-	-	-	21
Gain on disposition	-	-	-	1,047
Future income taxes	-	-	-	(317)
Earnings from discontinued operations	$ -	$ -	$ -	$ 751

NOTE 6

MORTGAGES AND ACCOUNTS RECEIVABLE

The mortgages and accounts receivable comprise an aggregate amount of $8.0 million at December 31, 2004 (December 31, 2003 - $13.1 million). In this balance, mortgages receivable arising on sales of property represents $nil at December 31, 2004 (December 31, 2003 - $6.9 million earning a weighted average interest rate of 1.9%). The remaining balance consists of mortgage holdbacks and incidental income earned but not yet received.

NOTE 7

OTHER ASSETS

As at December 31,	2004	2003
Corporate technology assets (net of amortization)	$ 3,115	$ 3,746
Head office building (net of amortization)	2,314	2,546
Deposits on properties	3,900	1,200
Inventory	1,464	1,524
Re-organization and restructuring	–	2,124
Prepaid and other	3,332	3,512
	$ 14,125	$ 14,652

Accumulated amortization for corporate technology assets and head office building at December 31, 2004 were $9.4 million and $0.6 million, respectively (December 31, 2003 - $7.8 million and $0.6 million, respectively).

Re-organization and restructuring costs included in other assets of $2.1 million at December 31, 2003 were subsequently reclassified as a capital transaction on conversion of Boardwalk Equities Inc. to the Trust on May 3, 2004.

NOTE 8

CAPITAL LEASE OBLIGATIONS

The Trust has capital leases in the aggregate amount of $84 thousand at December 31, 2004 (December 31, 2003 - $3.5 million) with a weighted average interest rate of 11.0% (December 31, 2003 - 9.7%) relating to a telecommunication initiative that was terminated on October 18, 2001. Future minimum payments under capital leases together with the balance of the obligation due under capital leases are as follows for the year ending:

As at December 31,	2004	2003
2004	$ –	$ 1,481
2005	86	1,330
2006	–	1,222
Total	86	4,033
Less amount representing interest	2	518
Total net obligation	$ 84	$ 3,515

NOTE 9

MORTGAGES PAYABLE

As at December 31,	2004	2003
(a) Revenue producing properties		
Mortgages payable bearing interest at rates ranging between 2.53% and 8.85% per annum with a weighted average rate of 5.49% per annum at December 31, 2004 (December 31, 2003 - 5.68%), payable in monthly principal and interest instalments totalling $9.4 million for the year ended December 31, 2004 (December 31, 2003 - $9.3 million), mature from 2005 to 2020 and are secured by specific charges against specific properties. All interest rates are fixed for the term of the respective mortgage with the exception of one mortgage totalling $32.4 million, which bears interest at the then-prevailing bankers acceptances rate plus 80 basis points and is reset quarterly.	$ 1,412,358	$ 1,385,268

(b) Other assets

Mortgages payable bearing interest at the rate of 7.92% per annum with a weighted average rate of 7.92% per annum at December 31, 2004 and 2003, payable in monthly principal and interest instalments totalling $15 thousand for the years ended December 31, 2004 and 2003, mature in September 2010 and are secured by specific charges against specific properties. The interest rate is fixed for the term of the mortgage.	**1,764**	1,799
	$ 1,414,122	$ 1,387,067

Estimated principal payments required to meet mortgage obligations as at December 31, 2004 are as follows:

	Revenue Producing Properties	Other Assets	Total
2005	$ 224,454	$ 39	$ 224,493
2006	218,877	42	218,919
2007	250,295	45	250,340
2008	240,792	48	240,840
2009	191,488	53	191,541
Subsequent	286,452	1,537	287,989
	$ 1,412,358	$ 1,764	$ 1,414,122

Estimated principal payments required to meet mortgage obligations as at December 31, 2003 are as follows:

	Revenue Producing Properties	Other Assets	Total
2004	$ 194,309	$ 36	$ 194,345
2005	153,260	39	153,299
2006	190,258	42	190,300
2007	242,752	45	242,797
2008	240,723	48	240,771
Subsequent	363,966	1,589	365,555
	$ 1,385,268	$ 1,799	$ 1,387,067

CMHC provides mortgage loan insurance in connection with mortgages made to Boardwalk REIT. In an agreement dated September 13, 2002 and as amended and restated on January 19, 2005, the Trust agreed to provide certain financial information to CMHC and be subject to certain restrictive covenants, including limitation on additional debt, distribution of dividends in respect of unitholders' capital in the event of default, and maintenance of certain financial ratios. In the event of default, the Trust's total financial liability under this Agreement is limited to a one-time penalty payment of $250 thousand under a Letter of Credit issued in favour of CMHC.

(c) Demand facilities

During the year, the Trust had a demand facility in the form of an acquisition and operating line with a major financial institution. This demand facility was secured by a first or second mortgage charge of specific assets. The maximum amount available varied with the value of pledged assets to a maximum not to exceed $100 million. No amount was available from this facility on December 31, 2004 (December 31, 2003 - $34.8 million). No amount of was outstanding at December 31, 2004 and 2003. This facility carried an interest rate ranging from prime plus 0.5% to prime plus 1.5% per annum and had no fixed terms of repayment. The facility was subject to annual reviews by the financial institution. Subsequent to the year-end, the Trust negotiated a new demand facility with the financial institution, secured by a first or second mortgage charge of specific assets (See Note 17).

NOTE 10

UNITHOLDERS' CAPITAL

The Plan of Arrangement (the "Arrangement") to convert Boardwalk Equities Inc. from a share corporation to a real estate investment trust was completed on May 3, 2004. On conversion of Boardwalk Equities Inc. to a trust, Boardwalk Equities Inc. incurred $10.2 million in restructuring costs. Under the Arrangement, the former shareholders of Boardwalk Equities Inc. received Boardwalk REIT units or Class B Limited Partnership ("LP Class B") units of a controlled limited partnership of the Trust, Boardwalk REIT Limited Partnership.

The LP Class B units are non-transferable, except under certain circumstances, but are exchangeable, on a one-for-one basis, into Boardwalk REIT units at any time at the option of the holder. Prior to such exchange, distributions will be made on the exchangeable units in an amount equivalent to the distributions which would have been made had the units of Boardwalk REIT been issued. Each LP Class B unit was accompanied by a Special Voting unit, which will entitle the holder to receive notice of, attend and vote at all meetings of unitholders. There is no value assigned to the Special Voting units. The LP Class B units issued are included in the unitholders' capital contributions on the balance sheet. The changes in unitholders' capital contribution are as follow:

	Shares	Amount
Share capital of Boardwalk Equities Inc. at December 31, 2002	50,109,314	$ 266,516
Options exercised	802,805	9,229
Stock repurchases, recorded at book value of shares	(44,000)	(236)
Share capital of Boardwalk Equities Inc. at December 31, 2003	50,868,119	$ 275,509
Options exercised	2,345,155	28,372
Share capital of Boardwalk Equities Inc. at May 2, 2004 exchanged for trust units	53,213,274	$ 303,881

Summary of Unitholders' Capital Contributions	Units	Amount
Units issued in exchange for Boardwalk Equities Inc. shares	53,213,274	$ 303,881
Issuance of 15,000 units for cash at $18.00 per unit on May 3, 2004	15,000	270
Unit repurchases, recorded at book value of units	(138,400)	(766)
Units issued under dividend reinvestment plan	17,693	292
Restructuring cost	–	(10,174)
Total unitholders' capital contribution at December 31, 2004	53,107,567	$ 293,503

On August 6, 2002, the Corporation commenced a normal course issuer bid allowing it to purchase up to 3,267,840 common shares for cancellation until its termination on August 5, 2003 or such earlier time as the bid is complete. On August 25, 2003, the Corporation commenced another normal course issuer bid allowing it to purchase up to 2,770,228 common shares for cancellation until its termination on August 24, 2004 or such earlier time as the bid is complete. On May 7, 2004, Boardwalk REIT announced it will continue the normal course issuer bid of its predecessor commenced on August 25, 2003. The Trust and its predecessor acquired and cancelled 138,400 units at December 31, 2004 (December 31, 2003 – 44,000) at a cost of $2.2 million (December 31, 2003 - $0.6 million). The excess of the cost over stated value of the units acquired of $1.4 million at December 31, 2004 (December 31, 2003 - $0.4 million) has been charged to accumulated earnings.

The Declaration of Trust authorizes Boardwalk REIT to issue an unlimited number of units for the consideration and on terms and conditions established by the Trustees without the approval of any unitholders. The interests in Boardwalk REIT are represented by two classes of units: a class described and designated as "REIT Units" and a class described and designated as "Special Voting Units". The beneficial interest of the two classes of units is as follows:

(a) REIT Units

REIT Units represent an undivided beneficial interest in Boardwalk REIT and in distributions made by Boardwalk REIT. The REIT Units are freely transferable, subject to applicable securities regulatory requirements. Each REIT Unit entitles the holder to one vote at all meetings of unitholders. Except as set out under the redemption rights below, the REIT Units have no conversion, retraction, redemption or pre-emptive rights.

REIT Units are redeemable at any time, in whole or in part, on demand by the holders. Upon receipt by Boardwalk REIT of a written redemption notice and other documents that may be required, all rights to

and under the REIT Units tendered for redemption shall be surrendered and the holder shall be entitled to receive a price per REIT Unit equal to the lesser of:

i) 90% of the "market price" of the REIT Units on the principal market on which the REIT Units are quoted for trading during the twenty- day period ending on the trading day prior to the day on which the REIT Units were surrendered to Boardwalk REIT for redemption; and

ii) 100% of the "closing market price" of the REIT Units on the principal market on which the REIT Units are quoted for trading on the redemption date.

(b) Special Voting Units

The Declaration of Trust provides for the issuance of an unlimited number of Special Voting Units that will be used to provide voting rights to holders of LP Class B units or other securities that are, directly or indirectly, exchangeable for REIT Units.

Each Special Voting Unit entitles the holder to the number of votes at any meeting of unitholders, which is equal to the number of REIT Units that may be obtained upon surrender of the LP Class B unit to which the Special Voting Unit relates. The Special Voting Units do not entitle or give any rights to the holders to receive distributions or any amount upon liquidation, dissolution or winding-up of Boardwalk REIT.

The breakdown of trust units of Boardwalk REIT by class is as follows:

	Units	Amount
Boardwalk REIT Units	48,632,567	
Special Voting Units issued to holders of LP Class B units	4,475,000	
Total trust units	53,107,567	$ 293,503

Stock Options (Before May 3, 2004)

The following table illustrates the impact on net earnings and earnings per unit if compensation expense had been recorded in the current and prior periods based on the fair value of all options granted on or after January 1, 2002:

Year ended December 31,	**2004**	2003
Compensation costs	**$ (2,278)**	$ (2,064)
Net earnings		
As reported	**$ 4,779**	$ 7,751
Pro forma	**$ 2,501**	$ 5,687
Net earnings per unit		
Basic		
As reported	**$ 0.09**	$ 0.15
Pro forma	**$ 0.05**	$ 0.11
Diluted		
As reported	**$ 0.09**	$ 0.15
Pro forma	**$ 0.05**	$ 0.11

As a result of Boardwalk REIT's conversion, all previously granted stock options vested prior to May 3, 2004. Of the 2,398,828 stock options outstanding at December 31, 2003 with a weighted average exercise price of $12.20, 2,345,155 stock options with a weighted average exercise price of $12.10 was exercised and the balance of 53,673 stock options with a weighted average exercise price of $16.47 was cancelled. Consequently, net earnings and earnings per unit shown above for the current period reflect all remaining compensation costs not previously recognized in prior periods.

The fair value of each option granted in 2002 was estimated to be $6.74 on the date of grant using the Black-Scholes option-pricing model with weighted average assumptions for grants as follows:

Risk free interest rate	5.33%
Expected lives (years)	7 – 10 years
Expected volatility	42.56%
Dividend per unit	$0.05

No stock or unit options were granted subsequent to December 31, 2002.

NOTE 11

DISTRIBUTABLE INCOME AND PER UNIT INFORMATION

Distributable income per unit

Boardwalk REIT makes distributions to unitholders on a monthly basis on or about the 15th day of the following month. The reconciliation of distributable income and per unit information begins with net earnings calculated in accordance with Canadian generally accepted accounting principles and as defined in the Declaration of Trust for Boardwalk REIT. However, distributable income and the per unit information are non-GAAP measures that do not have any standardized meaning prescribed by Canadian GAAP and, therefore, unlikely to be comparable to similar measures presented by other real estate companies and trusts.

Net earnings, subsequent to Boardwalk REIT conversion	$ 3,894
Add:	
Amortization of capital assets	49,166
Amortization of deferred financing costs incurred prior to May 3, 2004	2,002
Deduct:	
Future income tax recovery	(407)
Amortization of net premium on long-term debt assumed after May 2, 2004	(91)
Distributable income	$ 54,564
Distribution to unitholders	$ 43,977

Weighted average units outstanding – basic and diluted	53,115,514
Distributable income earned per unit	$ 1.027
Actual distributions declared per unit	$ 0.828

Earnings per unit

Year ended December 31,	2004	2003
Numerator		
Earnings from continuing operations	$ 4,779	$ 7,000
Earnings from discontinued operations	–	$ 751
Denominator		
Denominator for basic earnings per unit – weighted average units (Thousands)	52,750	50,380
Effect of dilutive units		
Units issued (stock options before May 3, 2004) in respect of long-term incentive plan (Thousands)	–	511
Denominator for diluted earnings per unit adjusted for weighted average units and assumed conversion (Thousands)	52,750	50,891
Earnings per unit from continuing operations		
Basic	$ 0.09	$ 0.14
Diluted	$ 0.09	$ 0.14
Earnings per unit from discontinued operations		
Basic	–	$ 0.01
Diluted	–	$ 0.01

NOTE 12
INCOME TAXES

Boardwalk REIT is a "mutual fund trust" as defined under the Income Tax Act (Canada) and accordingly is not taxable on its income to the extent that its income is distributed to its unitholders. This exemption does not extend to the corporate subsidiaries of Boardwalk REIT that are subject to income tax. Total future income tax recovery for the year ended December 31, 2004 combines the results of Boardwalk Equities Inc. prior to May 3, 2004 with the results of Boardwalk REIT subsequent to May 2, 2004. The adjustment for change in effective tax rate reflects the reduction of the current combined federal and provincial substantially enacted rate in the province of Alberta.

	Jan. 1, 2004 to May 2, 2004	May 3, 2004 to Dec. 31, 2004	**Year ended Dec. 31, 2004**	Year ended Dec. 31, 2003
Continuing operations	$ (1,291)	$ (407)	**$ (1,698)**	$ 11,761
Discontinued operations	–	–	–	329
Total future income taxes (recovery)	$ (1,291)	$ (407)	**$ (1,698)**	$ 12,090

Future income taxes (recovery) consist of the following:

Year ended December 31,	**2004**	2003
Tax (recovery) expense based on expected rate	**$ (121)**	$ 8,716
Non-taxable portion of capital gains	**–**	(223)
Adjustment to future income tax liabilities	**(26)**	1,615
Adjustment for change in effective tax rate	**(1,551)**	1,982
Future income taxes (recovery)	**$ (1,698)**	$ 12,090

The future income tax asset (liability) is calculated as follows:

As at December 31,	**2004**	2003
Tax assets related to operating losses	**$ 1,034**	$ 77,354
Tax liabilities related to differences in tax and book basis	**(487)**	(152,119)
Future income tax asset (liability)	**$ 547**	$ (74,765)

NOTE 13
RELATED PARTY TRANSACTIONS

During the year, a wholly-own subsidiary of a corporation controlled by two executives, one also being a trustee, transferred funds for cash management purposes to its parent company. These funds were forwarded from Boardwalk REIT Limited Partnership, a controlled limited partnership of the Trust, to this subsidiary to fund existing liabilities, including amounts due to the federal government in the form of large corporation taxes. Although the Trust has no legal ownership of this subsidiary, due to guarantees provided by the Trust to this subsidiary as part of the restructuring from a corporation to the Trust on May 3, 2004, this entity has been included in these consolidated financial statements. The total amount owed to the subsidiary from the parent company at December 31, 2004 was $900 thousand (December 31, 2003 - $nil), and has been returned to the subsidiary subsequent to the year-end.

There were no related party transactions for the year ended December 31, 2003.

NOTE 14
COMMITMENTS AND CONTINGENCIES

Boardwalk REIT has long-term supply arrangements with electrical utility companies and commitments for fixed-price natural gas supply contracts as described in Note 2 (g) (iii).

Boardwalk REIT, in the normal course of operations, will become subject to a variety of legal and other claims against the Trust. Management and the Trust's legal counsel evaluate all claims on their apparent merits, and accrue management's best estimate of the estimated costs to satisfy such claims. Management believes that the outcome of legal and other claims filed against the Trust or its predecessor will not be material to Boardwalk REIT.

NOTE 15

GUARANTEES

In the normal course of business, various agreements may be entered that may contain features that meet the AcG-14 definition of a guarantee. AcG-14 defines a guarantee to be a contract (including an indemnity) that contingently requires an entity to make payments to the guaranteed party based on (i) changes in an underlying interest rate, foreign exchange rate, equity or commodity instrument, index or other variable, that is related to an asset, a liability or an equity security of the counterparty, (ii) failure of another party to perform under an obligating agreement or (iii) failure of a third party to pay its indebtedness when due.

In connection with the sales of properties, a mortgage assumed by the purchaser will have an indirect guarantee provided to the lender until the mortgage is refinanced by the purchaser. In the event of default by the purchaser, the seller would be liable for the outstanding mortgage balance. Boardwalk REIT's maximum exposure at December 31, 2004 is approximately $5.9 million. In the event of default, Boardwalk REIT's recourse for recovery includes the sale of the respective building asset. Boardwalk REIT expects that the proceeds from the sale of the building asset will cover, and in most likelihood exceed, the maximum potential liability associated with the amount being guaranteed. Therefore, at December 31, 2004, no amounts have been recorded in the consolidated financial statements with respect to the above noted indirect guarantees.

NOTE 16

SEGMENTED INFORMATION

Boardwalk REIT specializes in multi-family residential housing and operates primarily within one business segment in four provinces located in Canada. The following summary presents segmented financial information for Boardwalk REIT's business by geographic location, and reflects the activities of Boardwalk Equities Inc. for the period from January 1, 2004 to May 2, 2004 combined with the activities of Boardwalk REIT for the period from May 3, 2004 to December 31, 2004. The comparative figures represent the activities of Boardwalk Equities Inc.

Year ended December 31,	**2004**	2003
Alberta		
Revenue	**$ 152,551**	$ 152,583
Expenses		
Operating	**18,938**	19,013
Utilities	**20,559**	19,208
Utility rebates	**(1,304)**	–
Property taxes	**13,150**	11,016
	51,343	49,237
Net operating income	**$ 101,208**	$ 103,346
Saskatchewan		
Revenue	**$ 34,275**	$ 34,038
Expenses		
Operating	**4,213**	4,585
Utilities	**4,277**	3,928
Property taxes	**4,440**	4,723
	12,930	13,236
Net operating income	**$ 21,345**	$ 20,802
Ontario		
Revenue	**$ 36,194**	$ 34,850
Expenses		
Operating	**4,433**	4,838
Utilities	**6,015**	5,846
Property taxes	**6,120**	5,679
	16,568	16,363
Net operating income	**$ 19,626**	$ 18,487

Quebec		
Revenue	$ 58,811	$ 48,276
Expenses		
Operating	6,393	5,189
Utilities	7,839	5,650
Property taxes	6,174	4,725
	20,406	15,564
Net operating income	$ 38,405	$ 32,712
Total		
Net operating income	$ 180,584	$ 175,347
Unallocated revenue*	680	4,370
Unallocated expenses**	(176,485)	(171,966)
Net earnings for the period	$ 4,779	$ 7,751

As at December 31,	2004	2003
Alberta		
Identifiable assets		
Revenue producing properties	$ 939,735	$ 969,196
Mortgages and accounts receivable	297	8,338
Deferred financing costs	24,392	26,621
Tenants' security deposit	5,243	5,674
	$ 969,667	$ 1,009,829
Saskatchewan		
Identifiable assets		
Revenue producing properties	$ 173,324	$ 178,867
Mortgages and accounts receivable	102	11
Deferred financing costs	4,467	4,585
Tenants' security deposits	1,216	1,097
	$ 179,109	$ 184,560
Ontario		
Identifiable assets		
Revenue producing properties	$ 218,740	$ 215,428
Mortgages and accounts receivable	246	250
Deferred financing costs	3,329	2,709
	$ 222,315	$ 218,387
Quebec		
Identifiable assets		
Revenue producing properties	$ 389,866	$ 342,364
Mortgages and accounts receivable	4,465	4,425
Deferred financing costs	5,417	4,102
	$ 399,748	$ 350,891
Total assets		
Identifiable assets	$ 1,770,839	$ 1,763,667
Unallocated assets***	38,300	39,713
	$ 1,809,139	$ 1,803,380

* Unallocated revenue includes property sales, interest income, revenue from discontinued operations and other non-rental income.

** Unallocated expenses include cost of property sales, operating expenses from discontinued operations, non-rental operating expenses, administration, financing costs, amortization, income taxes and other provisions.

*** Unallocated assets include properties held for development, cash, short-term investments and other assets.

NOTE 17

SUBSEQUENT EVENTS

Subsequent to December 31, 2004, Boardwalk REIT issued unsecured debentures in a public offering in the aggregate amount of $120 million. The debentures are rated "BBB" with a stable trend by Dominion Bond Rating Services, carry a coupon rate of 5.31% and will mature on January 23, 2012. The net proceeds will be used to fund acquisitions, repay operating lines of credit and for general trust purposes.

Subsequent to December 31, 2004, Boardwalk REIT contracted to acquire 1,079 residential units located in the provinces of British Columbia, Alberta and Quebec from unrelated third parties for an aggregate purchase price of $105.1 million. The acquisitions will be funded using cash proceeds from the issuance of unsecured debentures.

Subsequent to December 31, 2004, Boardwalk REIT completed negotiations for a demand facility in the form of an acquisition and operating line with a major bank. The demand credit facility is secured by a first or second mortgage charge of specific assets. The maximum amount available varies with the value of the pledged assets to a maximum not to exceed $110 million. This facility carries an interest rate ranging from prime to prime plus 1.0 % per annum and has no fixed terms of repayment. All operating line amounts must be repaid on or before July 1, 2005.

QUARTERLY RESULTS

(Cdn$ Thousands, except per unit amounts)

($000's except per unit)	Q1	Q2	Q3	Q4	31-Dec-04
Total Revenues					
Revenue producing properties					
Rental income	69,825	70,040	70,800	71,845	282,510
	69,825	70,040	70,800	71,845	282,510
Operating Expenses					
Revenue producing properties	8,394	8,613	8,214	10,143	35,364
Property Taxes	6,745	6,784	8,170	8,231	29,930
Utilities	11,437	9,794	6,025	9,933	37,189
Financing costs	20,046	19,634	19,745	20,002	79,427
Amortization	17,373	17,925	18,431	18,710	72,439
	63,995	62,750	60,585	67,019	254,349
Operating earnings before corporate charges	5,830	7,290	10,215	4,826	28,161
Cash flow before corporate charges	23,203	25,215	28,646	23,536	100,600
Sales of properties held for development and resale					
Revenue	–	–	–	–	–
Cost of Sales	–	–	–	–	–
Earnings before corporate charges	5,830	7,290	10,215	4,826	28,161
Corporate charges					
Administration	5,923	6,185	5,716	5,636	23,460
Large Corporations Tax	792	408	255	165	1,620
Deferred income taxes	342	(1,718)	(237)	(85)	(1,698)
Provision for loss on technology	–	–	–	–	–
	7,057	4,875	5,734	5,716	23,382
Earnings (Loss) from continuing operations	(1,227)	2,415	4,481	(890)	4,779
Earnings (Loss) from discontinued operations, net of tax	–	–	–	–	–
Net Earnings (Loss) for the period	(1,227)	2,415	4,481	(890)	4,779
Earnings per unit - fully diluted	(0.02)	0.05	0.08	(0.02)	0.09
Funds from operations, continuing operations	16,488	18,622	22,675	17,735	75,520
Funds from operations per unit - fully diluted	0.32	0.35	0.43	0.33	1.43
Distributable income	17,189	19,414	23,313	18,565	78,481
Distributable income, per unit - fully diluted	0.33	0.37	0.44	0.35	1.49

FIVE YEAR SUMMARY

(Cdn$ Thousands, except per unit amounts)

	2000	7 Months ending Dec. 31, 2000	2001	2002	2003	2004
Total Revenues	217,971	147,082	227,269	249,073	270,992	282,510
Revenue producing properties						
Rental income	178,147	110,771	205,281	241,575	270,992	282,510
	178,147	110,771	205,281	241,575	270,992	282,510
Operating Expenses						
Revenue producing properties	22,471	14,121	22,865	26,182	33,819	35,364
Property Taxes	18,431	11,004	19,743	23,664	26,217	29,930
Utilities	20,140	14,713	26,582	28,797	34,736	37,189
Financing costs	59,547	37,835	67,367	77,420	79,857	79,427
Amortization	36,842	27,401	53,584	46,691	50,766	72,439
	157,431	105,074	190,141	202,754	225,395	254,349
Operating Earnings before corporate charges	20,716	5,697	15,140	38,821	45,597	28,161
Cash flow before corporate charges	57,558	33,098	68,724	85,512	96,363	100,600
Sales of properties held for development and resale						
Revenue	39,824	36,311	21,988	7,498	–	–
Cost of Sales	24,017	24,258	13,939	6,531	–	–
Earnings before corporate charges	36,523	17,750	23,189	39,788	45,597	28,161
Corporate charges						
Administration	16,891	8,924	15,586	19,921	23,290	23,460
Large Corporations Tax	2,881	1,913	3,246	3,600	3,546	1,620
Deferred income taxes	6,306	(8,652)	(12,678)	5,406	11,761	(1,698)
Other loss (gain)			29,837	(692)	–	–
	26,078	2,185	35,991	28,235	38,597	23,382
Net Earnings (Loss) from continuing operations	10,445	15,565	(12,802)	11,553	7,000	4,779
Net Earnings (Loss) from discontinued operations, net of tax				23	751	–
Net Earnings (Loss) for the period	10,445	15,565	(12,802)	11,576	7,751	4,779
Earnings (loss) per unit - fully diluted	0.21	0.31	(0.26)	0.23	0.15	0.09
Funds from operations, continuing operations	53,593	34,314	57,941	62,958	69,527	75,520
Funds from operations per unit - fully diluted	1.09	0.69	1.15	1.27	1.39	1.43
Rental Interest Coverage	1.95	1.96	1.91	1.86	1.92	1.97
Rental Interest Coverage (excl. gains)	1.68	1.64	1.79	1.85	1.92	1.97

Fiscal periods ending prior to Jan. 1, 2002, were not retroactively restated in accordance with CICA handbook section 3475, disposal of long-lived assets and discontinued operations, for disposals on or after Jan 1, 2003.

FIVE YEAR SUMMARY

(Cdn$ Thousands, except per unit amounts)

	2000	7 Months ending Dec. 31, 2000	2001	2002	2003	2004
Revenue producing properties	1,318,658	1,325,715	1,381,541	1,604,277	1,713,171	1,733,026
Properties held for resale	6,365	6,692	6,630	7,038	7,493	7,906
	1,325,023	1,332,407	1,388,171	1,611,315	1,720,664	1,740,932
Other assets	73,005	111,427	101,120	97,175	82,716	68,207
Total assets	1,398,028	1,443,834	1,489,291	1,708,490	1,803,380	1,809,139
Mortgage payable	1,009,526	1,034,444	1,108,406	1,307,177	1,387,067	1,414,122
Other liabilities	102,689	108,016	95,901	99,568	107,811	39,501
	1,112,215	1,142,460	1,204,307	1,406,745	1,494,878	1,453,623
Unitholders' equity	285,813	301,374	284,984	301,745	308,502	355,516
Total liabilities and unitholders' equity	1,398,028	1,443,834	1,489,291	1,708,490	1,803,380	1,809,139
Trust unit outstanding (000)	49,240	49,259	49,853	50,109	50,868	53,108
Trust unit price at year end, ($)	12.55	11.50	11.58	15.18	17.92	18.45
Market capitalization ($B)	0.618	0.566	0.577	0.761	0.912	0.980
Number of rental units	25,070	24,856	25,889	29,326	31,239	32,159
Real estate asset value per unit	53	53	53	55	55	54
Mortgage payable per unit	40	42	43	45	44	44
Net rentable square feet (000)	20,762	20,721	21,590	24,970	26,353	27,026
Real estate asset value per square foot	64	64	64	64	65	64
Mortgage payable per square foot	49	50	51	52	53	52
Average net rentable SF per unit	828	834	834	852	844	840
Mortgage weighted average interest rate	6.29%	6.27%	6.15%	5.88%	5.68%	5.49%

This annual report contains forward looking statements based on current expectations that include a number of business risks and uncertainties.

The factors that could cause the results to differ materially , include but are not limited to national and regional economic conditions

MARKET AND UNITHOLDER INFORMATION

SOLICITORS

Stikeman Elliott
4300 Bankers Hall West
888 – 3 Street SW
Calgary, Alberta T2P 5C5

Butlin Oke Roberts & Nobles
100, 1501 - 1 Street SW
Calgary, Alberta T2R 0W1

BANKERS

Toronto Dominion Bank
355 – 4 Avenue SW
Calgary, Alberta T2P 0J1

AUDITORS

Deloitte & Touche LLP
3000, 700 – 2 Street SW
Calgary, Alberta T2P 0S7

REGISTRAR & TRANSFER AGENT

Computershare Trust Company of Canada
Our Transfer Agent can help you with a variety of unitholder related services, including change of address, tax forms, accounts consolidation and transfer of stock.
600, 530 – 8 Avenue SW
Calgary, Alberta T2P 3S8
Telephone: 403.267.6800

DISTRIBUTION REINVESTMENT PLAN

If you have any questions regarding the Plan, please contact:
Computershare Trust Company of Canada,
Dividend Reinvestment Department
100 University Ave., 9th Floor
Toronto, Ontario M5J 2Y1
Telephone: 800.564.6253
Facsimile: 416.263.9394
Toll Free Fax: 888.453.0330

CORPORATE COMMUNICATIONS

Unitholders seeking financial and operating information may contact:
Paul Moon, Director of Corporate Communications
Telephone: 403.531.9255
Facsimile: 403.261.9269
Website: BoardwalkREIT.com
Email: investor@bwalk.com

ONLINE INFORMATION

For an online version of the current and past annual reports, quarterly reports, press releases and other Trust information, please visit our investor website at BoardwalkREIT.com. Using this website, you may also sign up to receive future press releases and Trust news via email.

SPECIAL MEETING

The Annual and Special Meeting of the Unitholders of Boardwalk REIT will be held at the Calgary Petroleum Club, 319 – 5 Avenue SW, Calgary, Alberta, at 3:00 pm (Calgary time) on May 10, 2005. Unitholders are encouraged to attend and those unable to do so are requested to complete the Form of Proxy and forward it at their earliest convenience.

EXCHANGE LISTINGS

The Toronto Stock Exchange
Symbol: **BEI.UN**

TRADING PROFILE

TSX: May 3, 2004, to Dec. 31, 2004*
High: $18.70
Low: $15.20
Year-end Closing Price: $18.45
Volume: 28,058,011

*effective May 3, 2004, Boardwalk was converted into a Real Estate Investment Trust from its predecessor, Boardwalk Equities Inc.

MONTHLY DISTRIBUTIONS

Month	Amount	Record Date	Payable date
May	$ 0.103	5/31/2004	6/15/2004
June	$ 0.103	6/30/2004	7/15/2004
July	$ 0.103	7/30/2004	8/16/2004
August	$ 0.103	8/31/2004	9/15/2004
September	$ 0.103	9/30/2004	10/15/2004
October	$ 0.103	10/29/2004	11/15/2004
November	$ 0.105	11/30/2004	12/15/2004
December	$ 0.105	12/31/2004	1/17/2005

CORPORATE INFORMATION

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Phone: 416.572.2752
Fax: 416.572.4051

BOARD OF TRUSTEES

(1) Member of the Audit and Risk Management Committee

(2) Member of the Compensation, Governance and Nominations Committee

SENIOR MANAGEMENT

Dean Burns
Vice President, Legal Affairs

William Chidley
Senior Vice President, Corporate Development

Jean Denis
Vice President, Acquisitions, Quebec and Atlantic Canada

Roberto A. Geremia
Senior Vice President, Finance and Chief Financial Officer

Michael Guyette
Vice President, Technology

Sam Kolias
President & Chief Executive Officer

Van Kolias
Senior Vice President, Quality Control

Helen Mix
Vice President, Human Resources

Kim O'Brien
Vice President, Investments

Shaun Renneberg
Vice President, Capital Projects

Lisa Russell
Vice President, Acquisitions, Western Canada

Kelly Mahajan
Vice President, Customer Service and Process Design

Kevin P. Screpnechuk
Senior Vice President, Rental Operations

William Wong
Vice President and Controller

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